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Laurent Rebours/The Associated Press

LeMond Triumphs in the Tour de France for 2d Straight Year

Greg LeMond of the United States, left, and Claudio Chiapucci of Italy heading toward Paris and the end of the Tour de France on Sunday. LeMond won the overall leader's yellow jersey from Chiapucci on Saturday and cruised down the Champs-Elysées on Sunday to win his second straight Tour and third in five years. Chiapucci finished in second place. Page 14.

High Court Vacancy Puts Bush to a Test

Avoid Abortion Fight, Dole Urges

By Ruth Marcus
Washington Post Service

WASHINGTON — The Senate minority leader, Bob Dole, said Sunday that President George Bush was facing his "toughest domestic decision" in filling the Supreme Court vacancy created by the resignation of Justice William J. Brennan Jr., the court's senior liberal.

Mr. Dole and other congressional leaders also expressed the hope that one issue, abortion, would not be the "litmus test" in choosing a successor, and predicted a major fight if it was.

The resignation of Justice Brennan, 84, offers Mr. Bush the chance to cement conservatives' hold on the high court. But Justice Brennan's departure after almost 34 years on the court also places the president in a politically precarious position.

In a letter delivered to the White House on Friday night, Justice Brennan said the "strenuous demands of court work" were "incompatible with my advancing age and medical condition." Toni House, a Supreme Court spokeswoman, said the justice had suffered a small stroke after the court term ended last month and had been advised by his doctor to avoid stress.

The resignation comes at a time when Mr. Bush is already in trouble with the conservative flank of his party, which is angered by his abandonment of his no-new-taxes pledge and which is demanding a candidate firmly committed to overturning the court's landmark 1973 abortion ruling, Roe v. Wade.

But the court vacancy also comes close to congressional elections in which the Republican Party could be hurt by the nomination of a candidate openly committed to overruling Roe.

With Justice Brennan's resignation, only three justices remain committed to Roe, four are almost certain votes to overturn it, and one, Justice Sandra Day O'Connor, has been unclear about her position.

In the hours after the announcement, supporters and opponents of abortion rights demanded that Justice Brennan's replacement vow support for their position. But key Republican and Democratic senators, interviewed on television Sunday, expressed concern about having the confirmation process dictated by the nominee's stand on the abortion issue.

Mr. Dole, a Kansas Republican, predicted that "if you have to have someone who wants to overturn Roe versus Wade, it's going to be a blood bath getting the nomination confirmed, and the same is true by the other side."

The court vacancy: Both sides on abortion issue turn up the heat, and a look at the long career of an activist justice. Page 3.

Mr. Bush met with top aides at the White House over the weekend to discuss a replacement. The president said he planned to make his choice, his first for the high court, "as quickly as possible."

A senior official said after a 75-minute session Saturday that Mr. Bush "wants someone on the court on the first Monday in October," when the next term begins. He predicted the president would make the selection by the end of this week, working from an update of a list developed during his transition.

Among those mentioned as possible successors are Solicitor General Kenneth W. Starr, U.S. Trade Representative Carla Hills, and an array of appeals court judges, including Edith Jones and Patrick Higgin-

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As Interest Rates Fall, So Will Dollar

By John J. Duffy
International Herald Tribune

PARIS — The U.S. dollar is likely to head lower in the months ahead, driven down by a widening gap between interest-rate levels in the United States and those of its major industrial allies, according to analysts.

While West Germany and Japan have come under increasing pressure to raise rates to stanch domestic inflationary pressures, the threat of recession has emerged as the major risk to the U.S. economy, the Federal Reserve Board chairman, Alan Greenspan, told Congress last week.

The Fed has also come under attack from some financial-markets analysts who say the U.S. central bank is sacrificing its political independence to prod Congress into cutting the federal budget deficit. Mr. Greenspan's tacit promise last week to trade lower rates for budget cuts represents a threat to the Fed's credibility, they say, and thus a threat to the dollar.

That threat, combined with emerging signs of weakness in the economy, will push U.S. borrowing costs lower, analysts said.

"It think it is quite clear that U.S. rates will go lower by the end of the year, perhaps sharply so," said Paul Chertkow, chief currency analyst at Citibank in London. "That means a downward bias for the dollar."

Mr. Chertkow said that the key U.S. federal funds rate could fall as low as 7 percent by the end of the year, from its current level of just below 8 percent, as the economy's sluggishness increases fears of recession.

Even if U.S. rates fall more modestly, analysts said that as Bonn attempts to cope with the rising cost of German monetary union, and Tokyo with the rapid pace of asset price inflation, rates in both markets will rise. They said that by yearend the return on dollar-denominated investments could well be more than a percentage point below those denominated in Deutsche marks and Japanese yen.

Overnight money rates closed at 8.10 percent in West Germany and at 7.625 percent in Japan last week.

Such big rate differentials would act as an irresistible force, analysts said, pulling huge amounts of so-called hot money away from dollars and toward marks and yen, thereby weakening the U.S. currency.

Mr. Greenspan's argument that the Fed's recent move to cut the funds rate to 8 percent from 8.25 percent was merely to offset a credit tightening in the banking system and not to ease credit generally was unconvincing, analysts said. To the borrower or the investor in U.S. dollars, lower interest rates for whatever reason amount to much the same thing.

"The Fed may be looking at overall credit conditions but international investors are looking at interest-rate differentials," said Richard Segal, senior international economist at Technical Data Global Markets

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East Germans Balk at the Pace of Unity

By Marc Fisher
Washington Post Service

BERLIN — East Germany's government, which this week reaches the halfway point of its scheduled existence, is suddenly balking at going out of business.

The first all-German elections are tentatively set for Dec. 2, after which East Germany would cease to exist. But East German officials this weekend began raising objections to the express road to unification that West Germany has been busy paving.

"In the past, we allowed a little more time between getting to know one another and jumping into bed than we do today," the East defense and disarmament minister, Rainer Eppelmann, said in an interview in Monday's edition of the West German weekly, Der Spiegel.

Mr. Eppelmann and the East German foreign minister, Markus Meckel, this weekend called the West German chancellor, Helmut Kohl, arrogant and said that the East German armed forces should remain in existence even after the two Germanys united. West Germany wants to disband the East German National People's Army and create a single German military.

The army is only one of several issues on which the two Germanys are suddenly at loggerheads.

On Sunday, the East German parliament tentatively averted a collapse of Prime Minister Lothar de Maizière's government over the question of when the two Germanys will merge officially.

At the end of a tumultuous session that lasted all day and through the evening, legislators said they were on the verge of a deal by which East and West Germany would vote on the same day, but in separate elections in December.

The separate votes would allow each Germany to vote under its own election laws, a move that is expected to save from extinction several small East German parties, including both the former Communists and the grass-roots groups that led the revolution last fall.

Under East German law, those parties can win votes in parliament with only a few thousand votes. But West Germany requires parties to pass a five percent hurdle before becoming eligible for representation. If East Germany becomes part of the new Germany before the election, West German law would apply.

Mr. de Maizière appeared to have won the battle over his coalition partners, the Social Democrats and the Liberals, who wanted all Germans to vote for their first common parliament under the same rules. But the prime minister may lose in the end; both coalition partners are still threatening to leave the government, possibly forcing Mr. de Maizière from office.

Also on Sunday, the parliament in East Berlin recreated the country's traditional five-state structure, which was dissolved by the Communist regime 38 years ago. Under the West German Constitution, unification will be achieved when the five states formally apply to become part of West Germany.

Mr. de Maizière, who has taken a tougher stand in unity talks with Bonn officials than expected, is also demanding more financial and political concessions from West German negotiators who are trying to settle the unification treaty by September.

The Berliner Morgenpost reported on Sunday that Mr. de Maizière

See GERMANS, Page 5

Kiosk



Pat Benic/Reuters

STEADY ON THE OLD COURSE — Nick Faldo wrapped up his second British Open victory on Sunday. Page 15.

Peres Defeats Bid by Rabin

TEL AVIV (Reuters) — Shimon Peres, chairman of the Labor Party, soundly defeated Yitzhak Rabin in a vote Sunday on who should lead the political fight against Israel's new rightist government.

The Central Committee of the Labor Party voted 54 percent to 46 percent not to force an early showdown for party leader, scheduled for next year. Mr. Rabin, said by opinion polls to be the only Labor leader who could defeat the Likud party, had pressed to have the issue settled this week.

Special Report

Luxembourg is confident of its role as a financial center despite challenges. Pages 11-13.

Crossword Page 15.

General News

France held a security aide at its embassy in Beirut on arms-smuggling charges. Page 5.

Julius K. Nyerere discusses Third World problems and a new report that is to call for self-reliance. Page 2.

For Corazon C. Aquino, the earthquake provides both a respite and a test. Page 2.

Oliver L. North's case brings a legal question: Does immunity preclude prosecution? Page 3.

Business/Finance

An EC study highlights differences on the path to a common monetary policy. Page 7.

OPEC's output pact was said to be firm despite Iraqi complaints. Page 7.

Paris Fashion

Taking off from the runway were a new simplicity and high art. Page 5.

Soviet Union Faces Shortages of Bread

Reuters

MOSCOW — The Soviet Union faces bread shortages this year and, unless farmers improve their performance, sharper social tensions are likely to result, Prime Minister Nikolai I. Ryzhkov said in remarks published Sunday.

Speaking to top advisers of President Mikhail S. Gorbachev and leaders of the Soviet republics, Mr. Ryzhkov said that the government had not been able to buy as much grain as last year from collective and state farms, and that severe shortages of hard currency would prevent Moscow from buying enough grain abroad to fill the gap.

He said that the country could not hope to approach last year's purchase of 44 million tons on the foreign market.

"Unless we fundamentally change the situation," he said, "then the country is not in any condition — I can say categorically — to purchase that much grain." His speech to the Presidential Council, delivered Friday, was published by the government newspaper Izvestia on Sunday.

Mr. Ryzhkov lamented the farm sector's poor performance and said that the real growth rate was virtually nonexistent, despite expected improvements over last year's grain harvest of 211 million tons.

"To expect any improvement in food supplies at such rates is impossible, and social tensions will grow further," he said.

Over the past months, food supplies have dwindled steadily throughout the country, leaving many store shelves bare and increasing popular dissatisfaction.

Mr. Ryzhkov, whose plan for introducing a "regulated market

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Qazi Mizra/The Associated Press

SISTERS IN SORROW — Relatives grieving for three people killed by the police in Srinagar, India, in a gun battle with Muslim militants after a grenade attack. The radicals, seeking secession from India, exploded 15 bombs in a seven-hour period.

For Japanese, the Scarsdale Blues

A Backlash Develops in Affluent New York Suburbs

By Lisa W. Foderaro
New York Times Service

NEW YORK — Japanese who have settled in the New York suburbs, whether for a temporary business assignment or for good, are starting to feel a backlash from their growing presence and the rising economic tensions between Japan and the United States.

In Rye, New York, a handful of American parents, unhappy that Japanese enrollment in public schools has swelled so much that in one elementary school a fourth of the pupils are Japanese, have quietly pulled their children out of the prestigious system, school officials say.

"You will find people who are totally offended by their being here, which, to me, is a very basic form of bigotry," said Lynn Ferrari, a spokesman for the district.

In Knollwood, New Jersey, Tak Furumoto, a 45-year-old real-estate broker born in the United States, was dining in a restaurant not long after Mitsubishi Estate Co. bought a majority stake in Rockefeller Center when, he said: "A couple came up to us and said, 'Why are you guys buying up America?' I told them, 'Hey, we're Japanese-Americans, and I fought in Vietnam.'"

"But that didn't help," he said. "Japanese-Americans are affected as well. People don't make the distinction."

Several factors have contributed to what some Japanese and experts in relations between the two countries see as a backlash of feelings.

A rapid movement of Japanese during the 1980s — into many of the New York metropolitan region's most affluent suburbs — has transformed neighborhoods and school districts.

Once there, Japanese students tend to spend more time studying and earn better grades than American students, educators say.

Language and cultural barriers, as well as the

See BACKLASH, Page 5

Now, the Graying of Europa

By Alan Riding
New York Times Service

PARIS — French families receive generous welfare and tax incentives to have more children, but to no avail.

Mothers in France are no longer averaging the 2.1 children needed to insure a natural replacement of the country's population.

In Italy, families are now smaller on average than they are in any other Western European country. So the government in Rome is trying to woo back descendants of Italians who emigrated to Latin America.

Throughout Western Europe, the trend is clear. As birth rates tumble and life expectancy grows, populations are aging rapidly.

The number of entrants to the job market will drop in the 1990s, demographers say, and total populations will begin to fall early in the 21st century.

A product of prosperity, this population revolution is posing a complex new challenge.

Throughout Western Europe there is strong opposition to new immigration, yet demographers say that foreign workers will be needed to keep up living standards.

For the moment, with millions of Europeans out of work, a labor shortage is not apparent. In several places, immigration is even blamed for unemployment.

But immigrants are needed to do the menial or low-paid jobs that out-of-work locals refuse to do.

"A number of countries may be about to enter a long cycle of dependence on migration even though a large proportion of public opinion and of the political class is violently hostile to the idea," said Jean-Claude Chesnais, an expert with the National Institute of Demographic Studies in France.

In the 1960s, immigration began changing Europe's social profile.

Today, of the 327 million people in the 12-nation European Community, about 12 million are immigrants or descendants of immigrants, with close to 4.5 million in France, 2.5 million in Britain and 1.8 million in West Germany.

Belgium and the Netherlands have large numbers of immigrants from their former colonies in Africa, Asia and the Caribbean region. Over the last five years, Arabs have begun flocking to Italy and Spain.

Even East Germany contracted laborers from Vietnam and Cuba to work in factories.

Beyond building child-care centers and extending maternity leave to encourage mothers to keep working, experts say few governments have dealt with the link between demographic trends and im-

See BIRTHS, Page 5

Third-World Prospects: A Call for Self-Reliance

A major report on problems in the Third World will be published on Aug. 3 by the South Commission, which was formed in 1987 by a summit meeting of the Nonaligned Movement to conduct studies on development issues and to promote self-reliant development and improved North-South relations. Julius K. Nyerere, the former president of Tanzania and the commission chairman, discussed the report with Michael Richardson of the International Herald Tribune.

Q. What are the major changes in relations between developing countries that you and other commission members have recommended?

A. All policies, and all plans, need to be based on a recognition that people are both the purpose and the means of development.

Every developing country should adopt a strategy of building the maximum amount of national self-reliance as rapidly as possible by using the nation's human, natural and structural resources to the very maximum. Developing countries should seek external resources only as a supplement to maximum national effort.

We advocate greatly increased and more deliberate South-South cooperation in all fields. We also need to increase the proportion of our resources devoted to education and research as well as to investment in science and technology.

In all negotiations, the North acts in concert, while the South does not. As a result, the much greater comparative strength of the North in relation to the South is increased, and the common interests of the countries of the South are to a large extent ignored. We urge that the South should face up to this reality, and stand together in meeting the organized North.

•

Q. Will the Third World adopt the recommendations and apply them in a cohesive way?

A. On the whole I am optimistic — but not too optimistic. The South is better at making decisions than at implementing them, and nothing that we recommend is very easy. In addition, there is always the problem of resources, either as a genuine hindrance, or as an excuse for those who really would prefer to do nothing.

MONDAY Q&A

However, none of our recommendations is revolutionary, and for most we suggest phased or progressive approaches.

Q. What impact are the sweeping changes in Europe and growing détente between East and West having on the Third World

A. Probably the countries of the South that were getting most help from Eastern Europe have been hit more up to now. Aid to them has already been cut drastically.

Despite words to the contrary, it is also clear that interest on the part of the developed market-economy countries has already shifted from the developing nations of the South to what they regard as the new opportunities of the East.

Virtually all the countries of the South are in crisis. Aid as defined by the World Bank was 2 percent less in real terms last year than the year before. Aid, loans, and direct investment are all likely to be further reduced in real, if not in nominal terms, in the coming years.

Q. Many of the Third World countries that have made fastest economic progress have abandoned socialism and accepted free-market policies and export-oriented foreign investment instead of relying on external aid. Should the Third World accept this strategy as a model for development?

A. This practice of trying to force ideologies on the developing countries is one that the commission rejects. Almost every country in the world has some kind of mixed economy. The commission believes that this is necessary and argues the case for both a free market and regulation, each in its place.

Q. Would changes in the international trading system proposed by industrial powers at the Uruguay Round benefit developing nations?

A. There could be some useful changes as a result of the Uruguay Round negotiations if they were being pursued in good faith by the industrial powers. The developing countries need a reduction in protectionism which has been increasing in the North.

But the changes in the trading system which the North is really pushing are for an extension of GATT, and its disciplines, to completely new issues — trade in services, trade-related investment measures and trade-related intellectual property rights.

If their proposals on these matters were to be accepted by the developing countries, and the bilateral and multilateral pressure on them is very heavy, they would find that they had surrendered many essential development instruments to powerful industrialized countries, and in particular to transnational corporations, without getting anything in return.

Q. How much of the economic crisis in the Third World is self-inflicted through official corruption, mismanagement and abuse of power?

A. There are a few countries where corruption at the highest levels is scandalous. For any Third World president to have millions, and sometimes reputedly billions, of dollars in overseas private bank accounts is a disgrace.

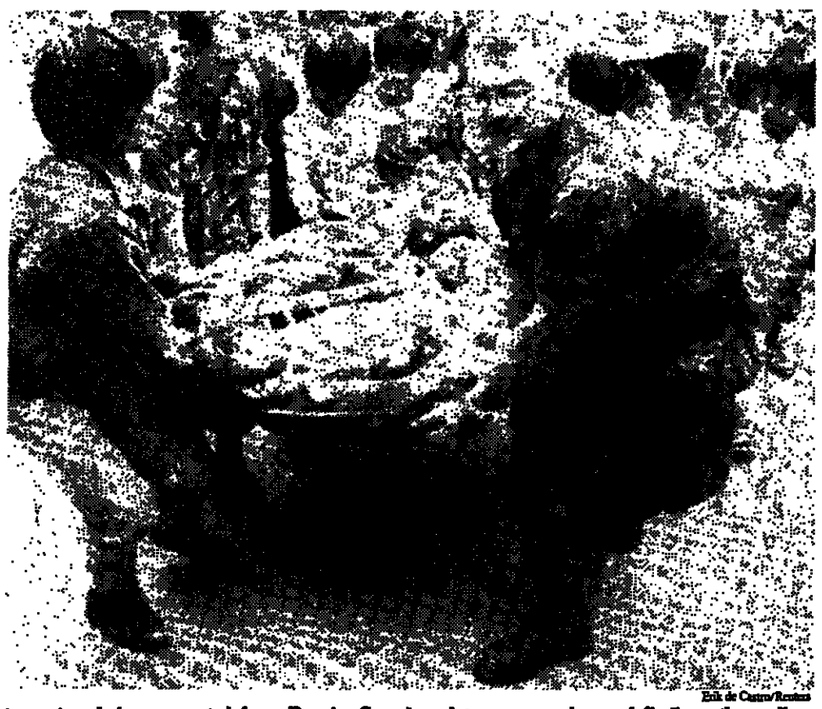
But the most corrupt regimes in the South have the full backing of powerful Northern interests, including some governments. Until these partners in corruption remove their support it is very, very difficult for the people concerned to overthrow those regimes.

Of course there is mismanagement in many Third World countries. But mismanagement is not a monopoly of Third World governments in crisis. Does it never occur these days in Europe or America?

Q. Many Western officials say they expect increasing political turmoil and economic decay on the African continent. What is the outlook?

A. When the standard of living of the people has been going down, or at best stagnating, for a decade or more, and when the social and economic infrastructure has been deteriorating for almost as long, it is not surprising if there is political or social turmoil.

Africa is excessively fragmented. Europe is moving toward unity. But on matters of continental unity and cooperation almost every African leader is more conservative than Mrs. [Margaret] Thatcher. Without unity and a renewed spirit of confidence and self-reliance, tragedy awaits Africa in the 21st century.



Erik de Castro/Reuters

A survivor being evacuated from Baguio. Searchers later gave up hope of finding others alive.

For Aquino, a Respite and a Test

Disaster Stills Dissent but Recovery Will Be Difficult

By Keith B. Richburg
Washington Post Service

MANILA — The earthquake last week appears to have given President Corazon C. Aquino some respite from mounting problems of political violence and battles with a quarrelsome Congress. But her handling of the vast and costly recovery effort poses a daunting challenge that may well overshadow her remaining two years in office.

Mutinous military dissidents are unlikely to resume their destabilization campaign soon after the earthquake. Colonel Gregorio Honasan, the leader of a coup attempt in December, issued a statement urging the government to declare a moratorium in its hunt for him and other rebels so that the nation could devote its full energies to the earthquake recovery.

Mrs. Aquino's outspoken political opponents also have largely been silent, as the entire nation appeared to have closed ranks for the difficult task of searching for survivors and burying the dead.

Even the Communist rebels appear to have called a unilateral cease-fire in their guerrilla war.

But most analysts said they believed that Mrs. Aquino's respite from these myriad troubles would be only brief.

Already, the government has come under some criticism, albeit muted, because the relief effort has appeared slow and uncoordinated. The next weeks and months will severely test the government's ability to manage the international emergency aid pouring in and to deliver services to the hard-hit areas.

"In the short term, certainly, this will pull things together," said a Western diplomat in Manila. Speaking of dissidents in the military, he said, "The rebels will lie low for a while, and we won't have bombs going off around Manila."

"Even the Communists are likely to keep quiet," the diplomat said. "But it won't take long for the story to move off the front pages, and for things to revert back to the way they were."

For example, the diplomat said, once relief aid began arriving, squabbles with Congress were likely to erupt over how the funds should be allocated.

By all initial indications, the task of rebuilding will be monumental. The infrastructure of Luzon Island, where the earthquake struck, has been devastated. Some small towns may have to be declared uninhabitable.

■ Death Toll Hits 862

Rescue workers said Sunday they had given up hope of finding more survivors trapped in the ruins of buildings in the resort town of Baguio, and the official, nationwide death toll from the quake rose to 862, The Associated Press reported from Baguio.

More than 3,000 people were reported injured nationwide, officials said.

Findings Suggest Body Uses Natural Marijuana

By Philip J. Hilts
New York Times Service

WASHINGTON — Researchers have discovered receptors in the brain that are stimulated by marijuana, suggesting that there is a previously unknown chemical pathway in the body using a natural form of the drug.

The work suggests that researchers might eventually be able to develop drugs that do not cause intoxication but have some of the medicinal properties of marijuana, including pain relief, anti-asthmatic action, anti-nausea action and anti-convulsive action.

Researchers also might be able to design new drugs aimed at these receptors that are more effective pain killers.

"This opens up a whole new system in the body," said Dr. Louis Harris, chairman of pharmacology and toxicology at the Medical College of Virginia, whose laboratories have worked on the problem.

A receptor is a molecule on a cell surface where a substance attaches itself to create an effect, acting like a lock and key. The discovery of such a molecule occurring naturally in the body means that the body makes a substance like marijuana.

A similar discovery two decades ago opened up much of the current work on receptors, when Dr. Solomon Snyder, a Johns Hopkins University neuroscientist, and his colleagues located the receptor where heroin and other opiates act.

It was later found that there were natural opiates, called enkephalins, which the body uses to relieve pain and stress.

Natural substances that have such powerful action have enormous potential, said Julius Axelrod, a chemist from the National Institutes of Health. He said the natural substances could be used to make more effective drugs.

"This is a very exciting finding," said Mr. Axelrod, who predicted that many laboratories would begin a search for the "natural marijuana" that the body produces.

The discovery was reported last week at a meeting at the National Academy of Sciences' Institute of Medicine.

Dr. Snyder reported that Dr. Michael Brownstein, chief of the cell biology laboratory at the National Institute of Mental Health, had discovered the receptor. Dr. Brownstein declined to discuss the work, which he has submitted for publication in the British journal Nature.

Marijuana, or its active ingredient, tetrahydrocannabinol, known as THC, has a number of interesting effects that researchers would like to study.

In addition to causing euphoria and a number of other psychological effects, it can be used to retard glaucoma, to treat asthma, to stop seizures, and to lower blood pressure, among other medical effects.

For South Africans, Terror on the Right

Some Say Government Is Threatened By Rise in White Extremist Attacks

By David B. Ottaway
Washington Post Service

JOHANNESBURG — They give themselves names like the Order of Death, the White Wolves and the White Liberation Army and their stock-in-trade is terrorism: bomb attacks at homes of white liberals, black trade union offices and public taxi stands, and grenades rolled into hotel bars late at night.

Their most notorious underground leader, Piet Rudolph, has declared "open war" on President Frederik W. de Klerk's government, the African National Congress and the South African Communist Party, threatening to use scorched-earth tactics to block a transfer of power to the nation's black majority.

Some group members are reportedly hatching plots to assassinate the ANC leader, Nelson Mandela, Mr. de Klerk or other prominent political figures and are conducting psychological warfare against them by sending bomb threats by telephone and fax machine.

Others have been busy stealing arms, grenades, explosives and ammunition from armories in preparation for more terrorist attacks.

[A huge explosion in Bloemfontein extensively damaged offices of the ruling National Party before dawn Sunday, The Associated Press reported. The office was deserted at the time. No one claimed responsibility, but the commercial explosives used in the blast have been a trademark of recent attacks by white extremists.]

White terrorism is now the most dramatic manifestation of the growing rightist resistance to Mr. de Klerk and his policies aimed at ending white-minority rule in South Africa.

"I see terrorism, white and black, and nobody will have the power to stop it," said Eugene TerreBlanche, leader of the largest of the extremist organizations on the right, the Afrikaner Resistance Movement.

According to police statistics, 34 acts of terrorism were recorded in June — the most reported in a single month since 1976. But only about one-fifth of the attacks were attributed to rightist groups.

This month, white terrorists could be responsible for half of the total number of incidents. According to the police, there have been 18 acts of terrorism recorded so far in July, of which nine are believed to be the work of white rightist factions.

Jaap Marais, head of the Reconstituted National Party, said in an interview that he believed white terrorism was "inevitable" because Mr. de Klerk was acting outside his electoral mandate in opening negotiations with the ANC and thus "inviting extraparliamentary action."

"People contend the parliamentary fight is no longer relevant," Mr. Marais said. Terrorism, he added, "is going to get worse."

Two blacks have been killed and at least 48 people, almost all blacks, have been injured in nearly a dozen bomb attacks by suspected rightist terrorists since April, most of them in and around Johannesburg.

Police have arrested 28 whites suspected of involvement in a number of attacks and plots.

Analysts disagree over the seriousness of the threat to Mr. de Klerk's government from the attacks. Some call it merely a public nuisance, while others fear a potentially serious problem if a group assassinates a senior black or white leader.

Wim Booyse, a Pretoria-based political analyst for South African and U.S. companies, said that while white terrorists represented a threat to law and order they have not yet become a danger to national security.

The prevailing view is that there are now only a small number of white terrorists, possibly as few as 80 or as many as 550, Mr. Booyse said.

Fredenik van Zyl Slabbert, director of the South African Institute for a Democratic Alternative, said "the Rambo factor" in rightist politics has to be taken seriously because many potential white terrorists are "strategically placed" in the security forces, a stronghold of employment for Afrikaners.

"If the right wing produces a multitude of Piet Rudolphs," he said, "then we're in for a very big showdown."

Western diplomats have also expressed concern over the number of rightist - extremists skilled in the use of arms.

"They are militarily trained people," a diplomat said. "They could do something that could upset the tenuous stability of right now. They could pick off a black or white leader and set off a chain reaction between whites and blacks."

ANC Steps Up Infiltration, Pretoria Seizes Guerrillas

Washington Post Service

JOHANNESBURG — A senior official of the African National Congress confirmed Sunday that his organization has accelerated the infiltration of guerrillas into South Africa despite the start of talks between the ANC and the government on finding a political settlement to the racial conflict here.

It was reported Sunday that South African security forces have arrested up to 40 guerrillas and officials of the ANC's military wing, Umkhonto we Sizwe (Spear of the Nation) recently and that most belong to the Communist Party.

The reports said the arrests had included the seizure of arms that were hidden in preparation to begin an insurrection if talks for a nonracial political system broke down.

Responding to the reports, the ANC's chief internal organizer, Walter Sisulu, said he was aware that "significant arrests" had taken place and that they included two senior Umkhonto officials.

"People have always been infiltrated here since we launched our armed struggle in the 1960s," Mr. Sisulu told the South African Press Association, the local news agency. "But under the new climate, it can be expected that many more would return to South Africa."

Mr. Sisulu said he did not believe the arrests would upset plans for the ANC and government to meet Aug. 6 to make final an agreement on the release of more than 1,000 political prisoners and the return of more than 20,000 exiles in return for an ANC pledge to "suspend hostilities."

The ANC is still committed to armed struggle even while conducting talks with the government to clear the remaining obstacles to the start of constitutional negotiations.

Analysts Urge Quick Cambodian Settlement

By Valerie Strauss
Washington Post Service

WASHINGTON — The Bush administration's decision to withdraw diplomatic recognition from a Cambodian guerrilla coalition is being hailed by some Southeast Asian specialists as offering new hope for a settlement in the civil war. But others say the U.S. policy shift may be "too little, too late" to prevent a victory by the Communist Khmer Rouge.

Unless a political settlement is reached soon, some analysts and congressmen contend that the Khmer Rouge will be able to push their way back into Phnom Penh or take control of the populous countryside as much by their shrewd use of psychological warfare as by their military prowess.

In fact, some critics say that without more substantive U.S. moves to help curb the Khmer Rouge on the ground, the policy change last week could backfire and wind up fueling the position of the Chinese-supported guerrilla group, which was responsible for the deaths of more than 1 million people when it ruled Cambodia from 1975 to 1979.

The Khmer Rouge, who have the strongest army in the tripartite rebel coalition, are believed to have made substantial military gains inside Cambodia this year as they battle the government of Prime Minister Hun Sen.

The other rebel groups, both non-Communist, include one headed by the former Cambodian ruler, Prince Norodom Sihanouk, and another by former prime minister Son Sann.

For years the United States condemned the role of the Khmer Rouge in the alliance and hoped to blunt their influence by covertly funding the so-called "non-Communist resistance."

Congressional support for the U.S. policy began to wane after the Vietnamese withdrew most of their troops from Cambodia last September, and fears began to rise that the Khmer Rouge were in a position to topple Mr. Hun Sen's government.

U.S. officials said that the non-Communist guerrilla forces still deserve to be supported, but that the United States should no longer be in a position in which it appears to back the Khmer Rouge.

Some analysts, including David Hawke of the Cambodian Documentation Commission, which is trying to document Khmer Rouge atrocities and bring the group's leaders to justice, praised Mr. Baker's announcement as providing some "breathing room" for the various parties in the conflict.

But other analysts said the policy change may not have gone far enough to make a real difference.

■ Sihanouk's Son Uneasy

Steven Erlanger of The New York Times reported from Bangkok:

Prince Norodom Ranariddh, son of Prince Sihanouk and the commander of his army, says the American shift of policy on Cambodia offers Vietnam an opportunity that he fears Hanoi will not seize, thus risking an intensification of the war in Cambodia.

Vietnam is known for "swallowing concessions" and giving nothing in return, Prince Ranariddh said Friday. "The whole question is whether the Vietnamese see the American change as an opening to compromise or as a victory."

Britain Bans Film Death in Rushdie Case

Reuters

LONDON — British censors have banned a movie based on the controversy surrounding Salman Rushdie, the film's distributor said Sunday.

Mr. Rushdie, a British citizen born in India, has been in hiding since last year, when Ayatollah Ruhollah Khomeini of Iran deemed his novel "The Satanic Verses" blasphemous to Islam and said he should be killed.

The film, made in Pakistan, portrays a character based on Mr. Rushdie as a drunken pro-Israeli playboy and foe of Islam. He is killed by a bolt of lightning to punish him for his attacks on the prophet Mohammed. The film's makers have said the characters are fictional but are intended to show that Mr. Rushdie will one day be tracked down.

A Pakistani-owned video company in London, which holds rights to the film, "International Guerrillas," said Britain's Board of Film Classification had banned it on the ground that it could be libelous.

Board officials were not available for comment, but the newspaper Independent on Sunday said the decision was made on advice from the police.

10 Die in Bombing in India

Reuters

BANGALORE, India — At least 10 persons were killed and 33 hurt when a bomb exploded in a packed cinema hall in the southern town of Bidar on Saturday night, police said Sunday. The town, in the state of Karnataka, was the scene of clashes between Hindus and migrant Sikhs last year.

WORLD BRIEFS

Doe a 'Prisoner' as Rebels Close In

MONROVIA, Liberia (Reuters) — President Samuel K. Doe was a virtual prisoner Sunday in his seafront executive mansion, held by about 500 soldiers of his own Krahn tribe who refused to let him leave the capital as rebel forces closed in, military sources said.

A diplomatic source said that Mr. Doe, 38, appeared to have lost track of reality and was "convinced he is invincible." As the rebels moved closer, the source said, the president was reverting increasingly to the tribal belief that magic would save him.

The source said he expected Mr. Doe, a former army master sergeant who seized power 10 years ago, to fight to the bitter end from the mansion, which has been stockpiled with ammunition and explosives in preparation for a final rebel assault.

Taipei Cuts Diplomatic Tie to Riyadh

TAIPEI (Reuters) — Taipei cut diplomatic links with Saudi Arabia on Sunday after the kingdom switched recognition to China. But the Foreign Ministry said the two countries would maintain economic and other links.

Real ties between Saudi Arabia and Taiwan would thrive, said Asaad Abdul Aziz al Zuhair, the Saudi representative here. "I can assure you that there is nothing to worry about," he said. "It's the change of names only." China and Saudi Arabia announced Saturday they had established relations during a visit to Riyadh by Foreign Minister Qian Qichen of China.

In Taiwan, a Foreign Ministry spokesman attributed the shift to China's aggressive diplomatic overtures towards the kingdom since 1988. "The Chinese Communists provided a kickback of about $710 million to the kingdom," he said, "when they used missile diplomacy to sell their missiles and satellites." Beijing sold about $3.5 billion worth of medium-range missiles to Saudi Arabia after Riyadh had failed to buy the weapons from the United States.

Haiti Requests UN Help for Elections

UNITED NATIONS, New York (NYT) — Haiti has become the first member of the United Nations to request that its elections be monitored by the organization to insure that they are fair.

The provisional government of President Ertha Pascal-Trouillot, which took power after Lieutenant General Prosper Avril resigned in March and fled, wants the United Nations to send about 300 civilian officials to supervise the balloting and about 40 military officers to insure that the country's armed forces maintain order. Elections are expected this year.

The United Nations helped to organize and monitor elections in Namibia and Nicaragua as part of regional peace plans approved by the General Assembly rather than as the result of a request by an individual government. Western countries, led by the United States and France, which was once Haiti's colonial ruler, reacted enthusiastically to Haiti's request, but other diplomats said governments in poorer countries had misgivings about the precedent it might set. A special session of the General Assembly on Saturday deferred action on Haiti's request.

51 Killed in Lebanese Muslim Battle

SIDON, Lebanon (AP) — Iranian-backed fundamentalists on Sunday crushed an attack by rival Shiite Muslims and Palestinian guerrillas after two days of combat at a southern mountaintop town, police said.

A police spokesman said that at least 51 persons died and 125 others were wounded in the battle for Jarjou, near an Israeli-occupied border enclave.

The casualties brought the one-week toll to 124 dead and 357 injured in clashes between the pro-Iranian Hezbollah, the Party of God, and the more secular Amal militia, which is backed by Syria.

Jordanian Patrol Kills 4 Guerrillas

AMMAN (Reuters) — An army patrol shot and killed four heavily armed guerrillas of a Damascus-based radical faction of the Palestine Liberation Organization when they tried to enter Jordan illegally from Syria, a government official said Sunday.

The official said that the guerrillas of the Popular Front for the Liberation of Palestine were killed Saturday night when the patrol saw them trying to infiltrate the country.

TRAVEL UPDATE

Epidemic Kills at Least 210 in Nepal

KATMANDU, Nepal (UPI) — An epidemic of cholera and gastroenteritis in Nepal has killed at least 210 people and is threatening the tourism industry, government officials and a hotel group said Sunday.

The epidemic has hit 12 of the 75 administrative districts, including Katmandu, said a Health Ministry official, Dr. Arun Thapa. The authorities have declared the water supply in Katmandu unsafe for drinking. The Hotel Association of Nepal warned Sunday that tourism could be adversely affected if the epidemic was not combated on a "war footing."

Heat Wave Fells Hundreds in Europe

PARIS (Combined Dispatches) — Hundreds of people were taken to hospitals in France over the weekend as heat records fell throughout the country, officials said Sunday. In Seville, Spain, one person died because of the heat.

The highest temperature recorded Saturday in France was 39.2 degrees centigrade (102.9 Fahrenheit) at Nérac, near Toulouse. In Paris, the temperature hit 34 degrees centigrade (93 Fahrenheit). Madrid recorded temperatures above 40 degrees centigrade (104 degrees Fahrenheit), officials said. The city of Madrid was unable to provide enough water pressure to make water rise above the second floor of buildings, disabling many air conditioners.

In France, the weather bureau said that temperatures were normal only on the Mediterranean coastline. Elsewhere in France, they were about 10 degrees centigrade (18 degrees Fahrenheit) higher than average for the season. Officials said Sunday that no relief was in sight. *(Reuters, AFP)*

The French Riviera resort of Saint-Tropez has decided to make full nudity in public punishable by a fine of 75 francs ($13). Mayor Alain Sarda said the aim was to reduce the number of exhibitionists on the beaches. Nudism will still be allowed on private beaches. *(Reuters)*

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Bahrain, Belgium, Egypt, Indonesia, Iraq, Jordan, Kuwait, Lebanon, Libya, Malaysia, Papua New Guinea, Syria, Tunisia, United Arab Emirates, Yemen.

TUESDAY: Ecuador, Morocco, Venezuela.

WEDNESDAY: Costa Rica, Cuba, Equatorial Guinea, Puerto Rico, Tunisia.

THURSDAY: Cuba, Liberia.

FRIDAY: Cuba, Puerto Rico.

SATURDAY: Peru.

Source: J.P. Morgan, Reuters.

WEATHER

EUROPE	HIGH C	HIGH F	LOW C	LOW F	
Amsterdam	22	72	11	52	fr
Athens	32	90	25	77	fr
Barcelona	27	—	19	66	—
Belgrade	27	81	14	57	fr
Berlin	23	73	12	54	fr
Brussels	23	73	13	55	fr
Budapest	29	84	17	63	fr
Copenhagen	21	70	12	54	fr
Costa Del Sol	28	82	22	72	cl
Dublin	19	66	9	48	fr
Edinburgh	20	68	11	52	fr
Faro	29	84	17	63	fr
Florence	31	88	17	63	fr
Frankfurt	24	75	14	57	fr
Geneva	26	79	14	57	fr
Helsinki	21	70	11	52	sh
Las Palmas	27	81	21	70	fr
Lisbon	27	81	15	59	cl
London	23	73	13	55	fr
Luxembourg	24	75	13	55	fr
Madrid	34	93	17	63	fr
Milan	31	88	17	63	fr
Moscow	23	73	13	55	fr
Munich	25	77	13	55	fr
Nice	28	82	21	70	fr
Oslo	23	73	12	54	fr
Paris	25	77	13	55	fr
Prague	27	81	12	54	fr
Reykjavik	13	55	9	48	cl
Rome	32	90	17	63	fr
Stockholm	23	73	16	61	fr
Strasbourg	26	79	14	57	fr
Venice	30	86	20	68	fr
Vienna	28	82	13	55	fr
Warsaw	25	77	13	55	fr
Zurich	29	84	14	57	fr
MIDDLE EAST					
Ankara	36	86	17	63	fr
Cairo	36	97	23	73	fr
Istanbul	29	84	23	73	—
Jerusalem	31	88	17	63	fr
Tel Aviv	31	88	19	66	fr
OCEANIA					
Auckland	—	—	—	—	—
Sydney	17	63	9	48	fr

ASIA	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	34	93	25	77	fr
Beijing	31	88	24	75	fr
Hong Kong	31	88	28	82	fr
Manila	33	91	24	75	fr
New Delhi	42	108	29	84	fr
Seoul	32	90	22	72	fr
Shanghai	32	90	28	82	fr
Singapore	31	88	25	77	sh
Taipei	35	95	26	79	cl
Tokyo	31	88	24	75	cl
AFRICA					
Algiers	32	90	17	63	fr
Cape Town	21	70	3	38	cl
Casablanca	29	84	22	72	cl
Harare	22	72	8	46	cl
Lagos	32	90	24	75	sh
Nairobi	28	82	12	54	cl
Tunis	33	91	—	—	fr
LATIN AMERICA					
Buenos Aires	—	—	—	—	—
Lima	—	—	—	—	sh
Mexico City	24	75	12	55	sh
Rio de Janeiro	28	82	19	66	sh
NORTH AMERICA					
Anchorage	22	72	15	59	pc
Atlanta	28	82	22	72	sh
Boston	28	82	19	66	pc
Chicago	28	82	19	66	pc
Denver	28	82	14	57	sh
Detroit	22	72	14	57	sh
Honolulu	29	84	23	73	pc
Houston	34	93	16	61	pc
Los Angeles	31	88	22	72	pc
Miami	31	88	22	72	pc
Minneapolis	28	82	19	66	pc
Montreal	25	77	12	54	sh
Nassau	28	82	17	63	pc
New York	28	82	24	75	pc
Phoenix	43	109	31	88	pc
San Francisco	21	70	14	57	pc
Seattle	24	75	12	54	pc
Toronto	28	82	14	57	pc
Washington	34	93	24	75	pc

cl-cloudy; fa-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Rough. FRANKFURT: Partly cloudy. Temp. 27 — 14 (81 — 57). LONDON: Partly cloudy. Temp. 23 — 13 (73 — 55). MADRID: Sunny. Temp. 36 — 20 (96 — 68). NEW YORK: Showers. Temp. 27 — 19 (81 — 66). PARIS: Fair. Temp. 28 — 17 (82 — 63). ROME: Fair. Temp. 32 — 17 (90 — 63). TEL AVIV: Not Available. ZURICH: Partly cloudy. Temp. 31 — 15 (88 — 59). BANGKOK: Scattered showers. Temp. 32 — 25 (90 — 77). MANILA: Cloudy. Temp. 33 — 24 (91 — 75). SEOUL: Stormy. Temp. 29 — 22 (84 — 72). SINGAPORE: Partly showers. Temp. 31 — 24 (88 — 75). TOKYO: Fair. Temp. 33 — 24 (91 — 75).

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Court Choice to Fuel Fire Over Abortion

By Robin Toner
New York Times Service

WASHINGTON — The resignation of Justice William J. Brennan Jr. sets the stage for an extraordinary political challenge for President George Bush.

Mr. Bush must choose a successor in the heat of an election year, when the country's politics already are polarized by the issue of abortion, and when both sides in the abortion debate see the next appointment as critical.

A host of other politically volatile issues will be thrust into the debate, from civil rights to church-state separation.

The lines of the battle already are clear.

"We're only one vote away, one vote away from losing Roe completely," said Kate Michelman, head of the National Abortion Rights Action League, referring to the 1973 Supreme Court decision recognizing the constitutional right to an abortion.

"President Bush has a real test of his values and his principles and the direction he wants the country to go in," Ms. Michelman said. "We will see whether he has to cater to the extreme right wing of his party."

Burke Balch, state legislative director for the National Right to Life Committee, said the organization expects that "the replacement named by the president would be committed to interpreting the constitution as it is written."

The abortion issue has exposed serious fault lines in the Republican Party since the Supreme Court's decision a year ago in the Webster case, which gave states new latitude to restrict abortion.

NEWS ANALYSIS

Since then, supporters of abortion rights have plunged into electoral politics against long-active forces opposing abortion, and the issue has become central to many races around the country.

After supporters of abortion rights won significant races last year, the Republican Party sought to soften its opposition to legalized abortion.

Mr. Bush has restated his opposition to abortion, but top party leaders have emphasized a view of the party as "a big tent" that could accommodate conflicting views.

Now, with his first appointment to the high court, the president will be undergoing extraordinary scrutiny from both sides.

The appointment also comes when Mr. Bush is under fire from conservatives because of his decision to renege on his "no new taxes" pledge of the 1988 campaign.

Thomas Mann, director of governmental studies at the Brookings Institution, a Washington research group, said Mr. Bush was confronted by "the need to satisfy a conservative flank that's very unhappy with him now, while at the same time realizing that a bruising and ultimately unsuccessful battle with the Senate over the confirmation of his Supreme Court nominee would do damage both to his program and his reputation."

Democrats already were ratcheting up the pressure.

"It is inconceivable that George Bush could nominate a pro-choice jurist given his party's platform and his pronouncements as president," said Michael McCurry, communications director for the Democratic National Committee.

"It is equally inconceivable that the Senate could confirm an anti-choice jurist," he said.

The 1987 nomination of Robert Bork to the high court showed how fierce the political mobilization can get. That nomination was dashed by heavy opposition, including the pressure many civil rights groups brought to bear on Southern senators who were heavily dependent on the black vote for victory.

But the Bork fight was not waged in the midst of an election year, nor was it waged when abortion was as intense an issue as it is today.

"It's not just a hot potato for Bush," said Harrison Hickman, a Democratic poll-taker. "It's a hot potato for everybody in a contested Senate election."

But the challenge will be most difficult for Mr. Bush. "It really was fairly easy in the first going to govern relatively benignly," Mr. Mann said.

"Now he's increasingly in the position where he's having to make choices, choices that make some people unhappy," he said.

Brennan: Activist With a Broad Impact

By Linda Greenhouse
New York Times Service

WASHINGTON — Justice William J. Brennan Jr.'s departure from the Supreme Court brings to an end not only a remarkable judicial career but also an era in the court's history.

His retirement leaves a gap far bigger and presages a change on the court far more profound than might be supposed from his being only one vote out of nine, and in recent years often a dissenting vote at that.

Justice Brennan's vote was critical in the last few years in preserving the court's dwindling margin in favor of continued recognition of a constitutional right to abortion and on the separation of church and state, among other issues.

In each of the last two terms, he wrote opinions for a 5-to-4 majority affirming a constitutional right to burn the American flag as a political protest.

Justice Brennan was a dominant force on the court for his entire tenure of nearly 34 years, leaving a legacy that outstrips that of many of the men who gave their names to the court's judicial eras.

"From his appointment on, he was the court's central figure," said Mark Tushnet, a law professor at Georgetown University.

Referring to the tenure of Chief Justice Earl Warren, with whom Justice Brennan served for 13 years during a period of dramatic expansion of the role of the federal courts in protecting individual liberties, Mr. Tushnet said:

"People call it the Warren Court, but in many ways it was the Brennan Court. On all the key issues, he put together the coalitions and persuaded the others."

Another Supreme Court scholar, Leon Friedman of Hofstra University Law School, said: "Warren may have been the conscience and the spirit, but Brennan was really the brains and the presence behind the Warren Court's initiatives."

Throughout his tenure, Justice Brennan was an ardent defender of the view that the essential meaning of the constitution is to be found in the modern age, not in a search for the original intentions of its 18th-century framers.

"The genius of the constitution rests not in any static meaning it might have had in a world that is dead and gone, but in the adaptability of its great principles to cope with current problems and current needs," he said in a speech at Georgetown University in 1985.

This view put him at odds with judicial conservatives who believe that departure from the framers' understanding of the constitution is an illegitimate use of judicial authority.

To some, Justice Brennan symbolizes all that is wrong with the "activist judiciary." William Bradford Reynolds, the Justice Department's top civil rights official under President Ronald Reagan, said in a 1986 speech that Justice Brennan advocated a "radical egalitarianism," which Mr. Reynolds called "perhaps the major threat to individual liberty" in the United States.

In the early days of the Warren Court, Justice Brennan, who had been a judge on the New Jersey Supreme Court when President Dwight D. Eisenhower named him an associate justice, dissented less than any other member of the court.

In recent years, as the influence of conservative justices grew, he became one of the court's most frequent dissenters.

But through a combination of intellectual force, a magnetic personality and an unwavering commitment to his vision of the court and the constitution, he remained a center of gravity.

Throughout his tenure, he was a strong opponent of the death penalty.

"I hope to embody a community striving for human dignity for all, although perhaps not yet arrived," he said of his death penalty view in a 1985 speech.

Only five justices have served longer: John M. Harlan, who served one month longer than Justice Brennan; John Marshall, the third chief justice, who died in office after 34 years; Justices Stephen J. Field and Hugo Black, who both retired after 34 years; and William O. Douglas, who served 36 years before retiring.



The New York Times

Justice Brennan: The persuader who put together coalitions.

North Case Quandary: What Price Immunity?

By Neil A. Lewis
New York Times Service

WASHINGTON — The ruling by a federal appeals panel last week ordering new hearings in Oliver L. North's case demonstrates the enormous difficulties in bringing to trial a public official who has been forced to testify in a high-visibility case before Congress.

The appellate court majority suggested that the decision by Congress to grant immunity to officials in order to hold public hearings on the Iran-contra affair was a fateful one that may have severely hurt efforts to prosecute those officials.

The ruling has great potential impact not only for Mr. North but also for Rear Admiral John M. Poindexter, also convicted of crimes connected with Iran-contra.

In a split decision, two members of the three-member appeals panel ordered that the information used to convict Mr. North be tested to insure that none of it came from his testimony during nationally televised hearings before a special congressional investigating committee.

Mr. North testified before Congress only after he was given immunity, meaning that what he told Congress could not later be used against him in a criminal trial.

The appellate court said that if it was impossible to show that Mr. North's congressional testimony did not contribute to the information used to convict him, he might escape prosecution.

Immunity is typically granted to help prosecutors build a case against someone else. That was not the case in the Iran-contra affair.

Members of Congress said they wanted to get the story out first and did not want to wait the years a criminal prosecution might take. The case stemmed from the clandestine effort of the Reagan administration to sell arms to Iran and use the proceeds to aid the U.S.-supported Nicaraguan rebels, known as contras.

The appellate court majority said that in a case like Iran-contra, the government may have to choose between immunity or prosecution.

The court Friday relied on a 1972 Supreme Court opinion, Kastigar v. United States, which requires prosecutors to demonstrate that none of their evidence was developed from testimony given under a grant of immunity.

"It may be an impossible burden," said Kristine Strachan, dean of the University of San Diego Law School, whose law review article was quoted in the opinion.

The ruling is not expected to be the last word. "This is an issue that will almost certainly go to the Supreme Court, said Jerold Israel, professor of criminal law at the University of Michigan.

Arthur Hertig, Embryologist, Dies at 86

New York Times Service

Dr. Arthur Tremain Hertig, 86, whose pioneering studies on human embryology contributed to the development by others of the contraceptive pill and in vitro fertilization, died Friday at Falmouth Hospital in Falmouth, Massachusetts. His son, Andrew Hertig, said he died of cardiac arrest after a colon operation.

Mr. Hertig, a retired professor of pathology at Harvard Medical School, was chairman of the school's department of pathology from 1952 to 1968. He also conducted studies on the causes of gynecological cancers, ovarian tumors, placental moles and spontaneous and tranmatic abortion.

In one of his most well-known projects, Mr. Hertig and Dr. John Rock of the Carnegie Institute of Washington studied the development of human life at the youngest stage ever observed. The doctors studied very early embryos, including a two-cell ovum 60 hours old, retrieved from women who had undergone total hysterectomies. They described the human embryo from the first division of the ovum until placental circulation takes over. The research laid the foundation for infertility therapy and for the successful transplantation of fertilized eggs.

Dr. Richard M. Overholt, 88, Crusaded Against Smoking

Dr. Richard M. Overholt, 88, a chest surgeon who began crusading against smoking in the early 1930s, died on Monday at New England Deaconess Hospital in Boston. His family said he died of liver cancer.

Dr. Overholt, a former chief surgeon at the Lahey Clinic in Burlington, Massachusetts, performed the first successful removal of a right lung on a cancer patient. His accomplishments were not limited to the operating room: In the early 1930s, while operating on tuberculosis patients, Dr. Overholt observed that the lungs of those who did not smoke recovered faster than those of smokers. In 1934, addressing 300 doctors, he urged them to support measures to curb smoking. *(NYT)*

■ *Other deaths:*

Johnny Wayne, 76, Canadian radio and television comedian and partner with Frank Shuster entertaining troops in Europe during World War II, Wednesday of cancer in Toronto.

Hippocrates G. Apostle, 80, an emeritus professor of mathematics and philosophy at Grinnell College in Iowa who specialized in the works of Aristotle, Wednesday at his home in Grinnell, Iowa, of lung cancer.

Herbert Nelson, 76, an actor whose repertory ranged from Shakespeare to Broadway comedy to television soap operas, at the Actors Fund of America Nursing Home in Englewood, New Jersey, on Thursday.

Stanley Shapiro, 65, winner of an Academy Award as a screenwriter and producer of such romantic comedies as "Pillow Talk" and "Operation Petticoat," Saturday of leukemia in Los Angeles.

Egil Aarvik, 77, chairman of the Nobel Peace Prize committee who used the prize to encourage respect for human rights, Thursday in Oslo.

Alison Leggatt, 86, an actress of the avant-garde theater movement in London who also had roles in films such as "Goodbye Mr. Chips," July 16 in London.

Georges Dargaud, 79, publisher who launched the Tintin magazine and Asterix comic-book series, Wednesday in Paris after a long illness.

Sergei Paradzhanov, 66, an Armenian film director who spent four years in a Soviet labor camp, Friday after a long illness.



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NASA Wants Space Station Simplified for Maintenance

By William J. Broad
New York Times Service

NEW YORK — NASA says its planned $37 billion space station will have to be substantially simplified to reduce its need for maintenance by robots and astronauts walking in space.

Agency officials acknowledged the need for major changes as they made public the final version of a $1 million, half-year study of projected maintenance and repairs that has prompted sharp debate over the practicality of the station.

The final report estimated that the station as now designed could require up to 3,700 hours of maintenance a year. The designers' original goal was 130 hours.

A preliminary version of the report disclosed in March had put the estimate at 2,200 hours, and a recent draft put it at 3,800 hours.

One troubling finding was that about 900 maintenance actions involving 6,200 hours of work would have to be done before the station could be permanently manned.

Officials of the National Aeronautics and Space Administration said possible solutions involved having the work done by robots controlled from the ground or by astronauts in a space shuttle.

"The significance is that there's no one up there to do this," said Dr. William J. Fisher, an astronaut who headed the 12-member panel that did the maintenance estimate.

"That is probably the greatest challenge to the space station program," he said.

NASA hopes to begin building the station in the mid-1990s as an orbiting outpost where astronauts can conduct science experiments and venture into the solar system. Its lifetime is to be 30 years.

A report on possible simplifications listed some 100 actions and design changes that might reduce the average amount of maintenance to 500 hours of space walks a year. In the 30-year history of the U.S. space program, astronauts have spent a total of 400 hours walking in space.

Proposed solutions to the maintenance problem include improving parts to make them last longer, simplifying them for ease of robotic servicing, performing several astronaut chores at one time and removing nonessential systems so there would be fewer failure points.



J. David Ake/Agence France-Presse

SMASHING DEBUT — With the president looking on, Barbara Bush was smack on with a bottle of champagne that capped the christening of the U.S. aircraft carrier George Washington.

AMERICAN TOPICS

Odds for New Quake Narrow for California

The U.S. Geological Survey has sharply increased its estimate that a major earthquake could occur during the next 30 years in the San Francisco Bay Area.

In a study initiated after the shock that registered 7.1 on the Richter scale last Oct. 17, the agency said there was a 2 in 3 probability that a temblor of similar magnitude would occur in the area within the next three decades.

Put another way, a quake the size of the one last October is "twice as likely to occur as to not occur" in the Bay Area between now and the year 2020, said Peter Ward, a geophysicist for the survey. Previously, the chances had been put at 50-50.

William Ellsworth, a geophysicist who wrote the new outlook, said that scientists had detected faster slip rates along the San Andreas and Hayward faults than previously observed.

The faults are breaks between two plates of the Earth's surface that are slipping past each other in a north-south direction along the West Coast.

Short Takes

A federal jury in Detroit has ordered Ford Motor Co. to pay nearly $5.2 million to Robert W. Kearns for infringing his patents on variable-speed windshield-wipers. A spokesman said that Ford was pleased with the verdict, since Mr. Kearns's contribution was "modest." The verdict is expected to take the heat off other automobile manufacturers also being sued by Mr. Kearns, 63, a former engineering professor at Wayne State University in Detroit. His son Dennis said that the award might not even cover 12 years of lawyers' fees. The inventor turned down a $30 million offer from from Ford in February. He had asked $141 million.

With nearly 280 old hydroelectric dams coming up for license renewal in the next three years, the federal government and environmentalists are moving to tear down two dams more than a half-century old so that runs of spawning salmon can be restored, The New York Times reports. The dams were built without the artificial salmon ladders provided by newer dams. Proposed new dams have been blocked for environmental reasons, but these would be the first torn down for environmental restoration.

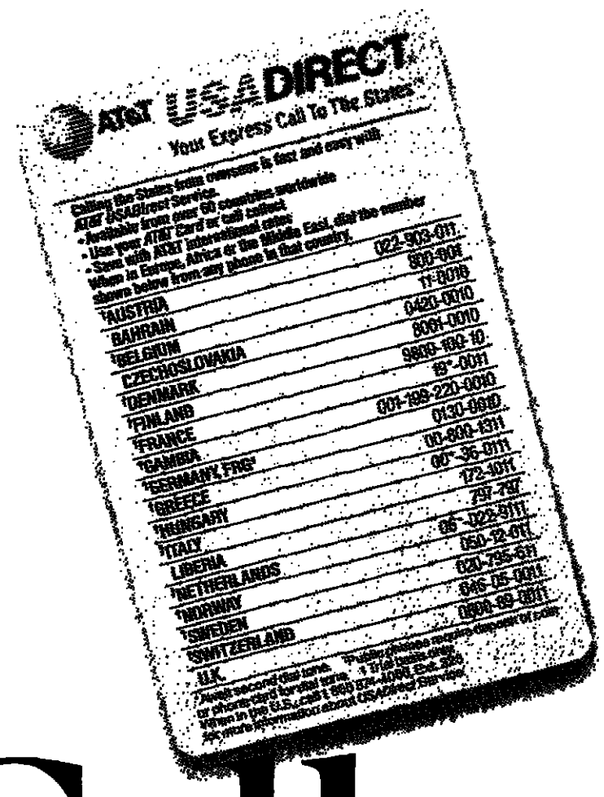
The federal prison system can deny an inmate the right to father a child by artificial insemination, an appellate court panel in St. Louis, Missouri, has ruled, 2 to 1. It said that to allow Steven J. Goodwin, who is serving a 14-year sentence on a drug conviction, the right of procreation would force the prison to give the same right to female prisoners, entailing costs that the system could not afford.

About People

Vice President **Dan Quayle**, whose stateside service in the National Guard during the Vietnam War aroused fierce controversy during the 1988 presidential campaign, said in a speech to families of servicemen still missing in Indochina, "While I have not apologized, and never will, for my National Guard Service, I recognize that the members of my generation who served in Vietnam made a sacrifice for their country that was far, far greater than mine."

P.J. O'Rourke, the social commentator for Rolling Stone and Spy magazines, says that "farm policy, while complex, can be explained. What it can't be is believed."

Arthur Higbee



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OPINION

Justice Brennan Resigns

Most Americans now living had not been born when William Brennan was appointed to the Supreme Court by President Eisenhower in 1956. For 34 years, during which constitutional rights and the powers of government were continually tested, Justice Brennan has played a leading role as a defender of individual liberty and civil rights. His resignation from the court on Friday is a blow to those who admire the man and share his core view of a citizen's rights in a constitutional democracy.

Longevity alone does not make a great jurist. Justice Brennan did far more than endure. He set a course as a protector of the unpopular and a champion of those political, religious and racial minorities whose rights are most likely to be challenged by a powerful majority. His opinions were clear and unequivocal, and he was a leader, whether writing for the majority or strenuously objecting in dissent. In cases involving alleged subversives, underrepresented voters, racial groups seeking justice and opportunity or the poor and handicapped suffering discrimination, he saw the constitution as a shield against oppression. The rights of criminal defendants were greatly expanded during his years on the court, in part because of his insistent concern that constitutional standards be observed. His unswerving opposition to the death penalty exemplifies his conviction that the state owes an obligation even to the most despised felons.

Justice Brennan's staunch defense of the First Amendment is legendary. He has understood that a free press is a right that belongs not to publishers or reporters, but to the people. He has been vigilant on behalf of religious minorities and firm about the separate roles of church and state. Freedom of speech for dissenters, from fascists and communists to flag-burners, has been of paramount importance to him. He brooked no censorship of political debate.

We have had occasional differences with Justice Brennan. But none has changed our perception that he has an ability to see litigants as individuals and to view the courts as an instrument of justice that has graced his whole career.

— THE WASHINGTON POST.

Chamorro Struggles On

A sweeping victory for democracy was proclaimed in spring when, for the first time in its 170 years of independence, Nicaragua conducted elections and the incumbents, losing, yielded power peacefully to the winners. But in the months since, Nicaragua's Sandinista minority has made grimly good on the threat by the former Sandinista president, Daniel Ortega Saavedra, to "rule from below" — to use its informal power in the streets and workplaces to thwart the formal power that the people voted to President Violeta Barrios de Chamorro in the councils of government. This has put a miserable extra burden on the country's prospects for recovery from a decade of war, civil strife and economic duress.

While the Sandinistas ruled, their "unions" were pussycats, obediently controlling the workers they ostensibly represented, and never striking. Only now, in opposition, have these organizations discovered a compelling class interest.

In fact they represent only one faction of workers and only an anachronistic, discredited and repudiated set of political ideas. But they were able to immobilize Managua the other day in a violent political strike that wounded the city and the government and left at least four persons dead. The strike ended with major government concessions that badly damage President Chamorro's economic recovery program.

Even among Mrs. Chamorro's Nicaraguan supporters, criticism can be heard of her patrician or dynastic political style. Her decision to keep on the Sandinista Humberto Ortega Saavedra as defense minister has drawn bitter fire, although so far it has politically neutralized the armed forces. The contras, now demobilized, complain bitterly of their difficult homecoming. Meanwhile, Mrs. Chamorro must labor under immense economic pressures as well as the evident political ones. Robert Pastor of Emory University notes that the Sandinistas left Nicaragua with a mere $3 million in reserves, a debt of some $11 billion and average wages that had declined 90 percent in real terms in a decade. U.S. aid covers barely half of the foreign exchange requirements.

Governing in a country without a strong parliamentary tradition, Mrs. Chamorro has appealed for a "national dialogue" to make a new "social pact." For this to work, she needs a cooperative patriotic response from the Sandinistas. The country's friends, in addition to offering more conventional sorts of aid through the government, must also find ways to apply their political influence to soften the ways of the opposition.

— THE WASHINGTON POST.

Robots, Not Men, on Mars

In the wake of the Hubble Space Telescope catastrophe and the grounding of the space shuttle fleet, Vice President Dan Quayle has set up a review of NASA's direction and goals. A review is surely needed. Both NASA's hardware and the goals the White House has set for it are still pointed to the needs of a different era. Mr. Bush and Mr. Quayle talk airily of sending men to the moon again, and to Mars. But unpleasant obstacles keep intruding. As the latest problem of hydrogen leaks has shown, the space shuttle is still an experimental vehicle, neither fully safe for humans nor fully reliable as a space truck.

As for NASA's $37 billion space station, the latest bad news confirms the suspicion that it may fall apart faster than it can be assembled. NASA reckoned the space station would need little maintenance by space-walking astronauts and budgeted for just 130 hours a year. Recently it dismissed findings that the station would need as much as 2,200 hours of maintenance. Not until Friday did the agency accept the conclusion of a review panel that in fact *3,700 hours* will be needed.

Even if the space station and space shuttle work as advertised, what is the purpose of sending men to the moon and Mars? Almost all scientific goals in space can be better attained with automated spacecraft. Humans probably have a necessary role in space at some stage, but now that the Cold War is over, the idea of a joint U.S.-Soviet manned mission to Mars is less compelling.

A space program driven by purely scientific goals would be unmanned and probably require only a fifth of NASA's present spending. What Mr. Bush and Mr. Quayle do not seem to understand is that the door is wide open for Japan to develop exactly such a program. Tokyo is developing an aerospace industry because the necessary electronics and advanced new materials also benefit other industries. Japan recently became the third country to orbit a satellite around the moon.

Why would Mr. Bush want to spend $400 billion to send astronauts lumbering around Mars when, long before their arrival, intelligent Japanese robots may have explored every Martian nook and cranny and returned with videos and rock samples? Tokyo's space program is driven by scientific and industrial goals, Washington's by neither. NASA's hardware is now mostly low technology of little commercial relevance. The space station is essentially high-orbit plumbing. The space shuttle's computers are so antique they have a ferrite-core memory, dating from the era before the silicon memory chip.

Once, NASA pushed the frontiers of technology as well as space. Why not put it back to doing that, especially as the Pentagon's support of commercially relevant research is already weakening? A new space program could be designed to make maximum use of important new technologies like advanced materials, superconductivity, robotics and telecommunications.

Mr. Quayle, if he wishes to make his mark on space policy, could start by recommending that the space station be canceled and manned flights phased out except where humans are essential. NASA's goals should be to push forward the frontiers of space and high technology, not mindlessly wasting more money and risking more lives without clear purpose.

— THE NEW YORK TIMES.

Other Comment

The U.S. Shift on Cambodia

Fifteen years is a long time to harbor a grudge. Other participants in the Vietnam War, including Australia, came to terms fairly quickly with that tragic conflict and the loss of their young men. Washington's refusal to deal with postwar governments in Hanoi helped keep Vietnam isolated politically and its economy crippled.

The United States is now resuming dialogue with Hanoi. [Its] desire to talk to Hanoi about keeping the Khmer Rouge out of power puts the old enemies on the path to better relations.

Of course, the Khmer Rouge could by now have been simply a historical nightmare but for the support it received from China. As U.S. relations with Moscow have warmed, so, in the wake of June 1989, the American desire to nurse relations with Beijing has lessened.

— The Age (Melbourne).

The U.S. policy shift has done a great service by jolting ASEAN into formulating a more relevant policy on the Cambodia conflict. The choice is clear: to continue to use the Khmer Rouge, with the [Sihanouk-led coalition government] as the formal framework, to effect change, or to accept the Phnom Penh regime as a basis for a solution. To use the Khmer Rouge is politically counterproductive and morally objectionable. To accept the Phnom Penh regime as the basis for such a solution means that somehow the regime must be assisted in acquiring a mantle of legitimacy and in enhancing its efficacy by broadening its political base.

— The Jakarta Post.

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Europe: The Right Path Toward Tomorrow

By Flora Lewis

PARIS — Now comes the long, intricate process of reorganizing Europe. The last couple of weeks — with the NATO summit meeting, the Kohl-Gorbachev accord, the Paris talks on Germany — have removed *all* important barriers that have kept Germany and the Continent divided since World War II.

It will take a few more years for the Soviet troops to go home, for getting rid of extravagant arsenals, for the two parts of Germany to meld effectively, for the East Europeans to climb up into the modern economic and political world, for the Soviets to work out what kind of country, or countries, they intend to be.

But the new era starts now. The decisions being made will hold for a long time, perhaps as long as the Cold War lasted. This sense of novelty, of the fateful moment with *all its* uncertain implications, accounts more for the unease, I think, than the behavior of Germany from Bismarck to 1945.

Certainly the unease is there. And it is natural that fears focus on Germans, not only because of the past but also because of their capacity to exploit technology for economic power and because of their mass. They will outweigh each of their partners. It will be up to their partners, including the United States, to show the energy and dedication to keep up with them in the East.

The Germans feel the discomfort too, in the midst of their euphoria at regaining full sovereignty and a single state. Their leaders are convinced that Mikhail Gorbachev wants U.S. troops to remain "to control the Germans," and so do they, officials say in private.

Still, it is oddly self-lacerating to complain at the skill and the snappy, crisis-free tempo with which the postwar European order is being demolished. Apparently President Bush and Chancellor Kohl have done such a good job of chocolate-coating the collapse of empire for the Russians that some critics think they have given away the goodies.

There have been some compromises that could cause trouble one day if the policy fails. One strange anomaly is that NATO's protective guarantees will extend to the Oder-Neisse border with Poland as soon as East Germany is absorbed, even though there will still be Soviet forces in the area for three or four years. The diplomats could not find a way around it, so they agreed to cross their fingers and live with it for the time being.

Another possible problem down the road is the ban on nuclear weapons and the stationing of — presumably also the training and exercising of — non-German NATO troops on former East German territory even after the Soviets leave.

It is essentially a matter of principle, since nobody intended to send American soldiers or nuclear weapons there anyway. But it will leave an artificial, internationally endorsed military line down the middle of Germany when all the other remnants of partition are swept away.

These are the sorts of things that could bring friction if the overall policy fails, and the climate goes bad again. But if it fails, they would be minor sources of irritation compared with the big dangers.

The chance of success for the new Europe requires sensible planning on how it can work. Anticipating only the worst possible cases would block that hope.

The limelight of attention switches compulsively from one personality to another. It is the Russian, the German, the American who is running away with the show, deviously leaving the others behind.

That is largely optical illusion. In fact, there has been an unusually effective triple play among the three, each one passing the ball at a critical moment and advancing to the solution now achieved.

If the French and the British had little impact, it is mainly because they chose to dither, imagining they could delay events rather than joining the action. The Poles, who had a perfectly clear sense of what they needed all along — watertight renunciation of any German territorial claims — supported a united Germany in NATO from the start.

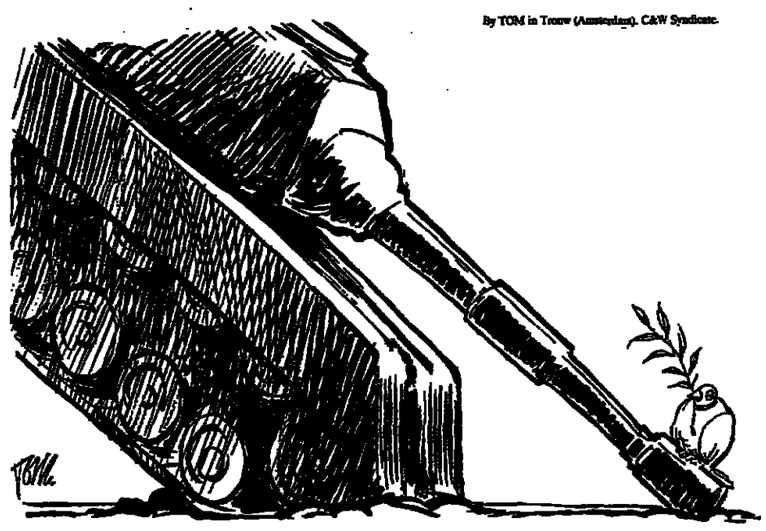
They wound up proclaiming the result "completely satisfactory," in the words of Foreign Minister Krzysztof Skubiszewski. They will also get a treaty of friendship and trade with Germany that they hope will be modeled on the French-German treaty, with similar profound effect.

Once again Mikhail Gorbachev has shown his capacity to do a flip-flop, moving with events when he is convinced that he cannot forestall them. The interaction among him, Mr. Kohl and Mr. Bush has been a good sign, each showing an ability to take the others' needs into account.

It enabled NATO's two-fisted secretary-general, Manfred Wörner, to go to Moscow and declare, soothingly, "We intend to steer change in Europe so that there are no losers, only winners."

This is only the start. But the direction is right.

The New York Times.



In This Year of de Gaulle, His Vision Is Fading Fast

By Jim Hoagland

This is the first of two articles.

PARIS — In a year of anniversaries and angst, the French are discovering that the political identity that Charles de Gaulle built and bequeathed to them was only a temporary truth, designed to get a proud people through a hard time.

It served that purpose admirably for 50 years. But the Gaullist vision of France as a nation of particular glory with a vocation to lead in world affairs fades rapidly as a new Europe coalesces around a unifying Germany, a newly free Eastern Europe and an integrated economic marketplace in the West. This July, the splendid and confident 200th birthday party that the French Republic gave itself last Bastille Day seems a distant echo of the past.

History's sense of irony has served to heighten a mood of uncertainty and debate over the very nature of French society. Celebrations of the 45th anniversary of the triumphant end of World War II have had to share place with serious new examination of France's defeat in the war 50 years ago, and the record of French collaboration with the occupying Nazis.

The success of Jean-Marie Le Pen, the skillful far-right demagogue, has reawakened a dormant strain of anti-Semitism and racism in France. The desecration of the Jewish cemetery in Carpentras in May has been followed by a wave of less serious neo-Nazi and anti-Semitic incidents that give an eerie currency to the memories of the war years. The government has felt compelled to react by outlawing racist political speeches and banning three neo-Nazi publications.

As the Germans were moving irrevocably into the future, old struggles that de Gaulle had supposedly buried threaten to break out here. Amid celebrations on the 100th anniversary of de Gaulle's birth, commentators here note that the French also seem to be burying the general and much of his heritage.

Germany's rebirth and a political malaise at home cloud France's claim to world status.

France's Socialist president, in power 10 years and showing signs of fatigue, complains accurately that social inequalities and a once socially unacceptable fascination with money have both grown during his reign. His conservative opponents spend their time savaging each other, and the results have been public disgust with them, and a sense that what was long Europe's most cohesive and effective political elite is being atomized.

The rebirth of Germany and the deepening distrust at home of the nation's political class cloud France's claim to a world status. The French confront a choice that causes many to recoil: to settle for being one nation among many in the new German-led Europe, or to pursue illusory policies of a lonely grandeur that France can no longer achieve. The second path is one of frustration that will feed the fires Mr. Le Pen stokes.

My sense is that the French will choose the first, realistic path. But that will be painful for a people with a collective will to glory. As Paul Kennedy wrote in "The Rise and Fall of the Great Powers," "France has always had an impact upon affairs far larger than might be expected from a country with a mere 4 percent of world GNP ... Sheer national assertiveness" made the French natural candidates to lead postwar Europe rather than "the isolationist British or the subdued Germans," he injudiciously added, writing before the Germans decided to be subdued no more.

Most countries would be delighted if their national dilemmas were no more dire than the one that faces France. The standard of living and the way of life (not the same thing, the French will tell you) in this rich, resilient country would be heaven to 90 percent of the world's people. That I have lived here 10 out of the last 30 years is an indication of my own affection for the challenging mix of ideas, values and diversions that French life affords. No other people I know have a clearer or more positive self image than the French.

But therein lies the problem. What would be tiny spots on the national image elsewhere loom large for a French national psyche shaped by a driving sense of mission and cultural uniqueness. In the present period of prosperity, when inflation is below that of West Germany or the United States, and the franc's value up, it is an exaggeration to call the heavy mood of self-doubt an identity crisis. But there is some truth to that observation.

The French grapple with a question they thought was settled long ago: Who is French? It is a troubling question in a country that has absorbed waves of Poles, Hungarians, White Russians, Cambodians, West Indians and others. French culture and language decided who was French.

But new patterns of immigration from North Africa have brought a sizable and potentially indigestible Muslim minority — Algerians, Tunisians and Moroccans — to this predominantly Roman Catholic country. A figure like Mr. Le Pen benefits from a political crossover — he finds supporters among those who hate or are frightened by both Arab and Jew.

A collaborationist writer, Charles Maurras, wrote in the 1930s of France's "internal foreigners," meaning primarily Jews. That psychology is revived as people dispute whether an Arab youth born in France and speaking flawless French with a Parisian accent is "French." As the Europeanization of the economy and the internationalization of culture and language proceed, it becomes increasingly difficult to say what is "French."

Insecurities poke through the political declarations that are meant to dispel them. Thus Jacques Chirac, mayor of Paris and leader of the neo-Gaullist faction in the opposition, on the subject of immigration:

"In our history, immigration came in small doses that were absorbed gradually, while this time we face an overdose. Before, foreigners who settled in France were of European origin. They had the same culture and the same religion as we did. That is no longer the case. That is why the nation feels threatened."

"Threatened" is a strong word; but Mr. Chirac chose it carefully. The debate over immigration, racism and ultimately identity shows a staying power unusual in French politics.

The Washington Post.

Obtusely, They Back Communist Rule

By A. M. Rosenthal

NEW YORK — Neil Kinnock, leader of Britain's Labor Party, came to New York, delivered a serious speech before an important audience, raised an issue critical to the future of freedom in the Soviet Union — and then got the answer wrong.

Wrong — politically, historically, economically and humanly wrong. He is in considerable company.

Mr. Kinnock defined the issue just fine. He told the Council on Foreign Relations that Mikhail Gorbachev's insistence that Soviet changes be within the context of the Communist Party was not insincere.

Mr. Gorbachev, he went on, not only believes now in the Soviet Communist Party as the vehicle for change but would stick to that belief even under a "pluralist" political society.

Right on, so far. Mr. Gorbachev's brilliance and adaptability have made the West forget that it was through the Communist Party that he attained power, not despite it.

He has "reformed" the party by moving some of its power from his left hand as party chief to his right hand as head of the government in which the Communists remain the only party. But during the recent party congress Mr. Gorbachev said the party should keep its role in most important parts of Soviet life.

That party-commissar system of total involvement and domination is how the Soviet party created its power under Lenin and Stalin. It is how the Communists have kept power ever since. So Mr. Kinnock's point about Mr. Gorbachev's belief in the party was important.

Then Mr. Kinnock uttered the sentences that may win him as much lasting fame as his wife achieved with a happy prediction that the Sandinistas would win the Nicaraguan election.

He said that although the Soviet Communist Party is "in many ways" deficient and unacceptable to him, the "pragmatic fact" is that the "structure of that party can provide a mechanism for historic change in conditions where there are few other coherent means of establishing and pursuing new directions."

I do not know how Mr. Kinnock will do when he again runs against Prime Minister Margaret Thatcher. But if he were running now in the former captive nations, he would get the workers' vote — about one and a half percent of it.

That is roughly the number of working people who have lived under a Communist Party and still believe it is a structure for anything but disaster.

East Europeans believed the Communist Party could move in only one acceptable new direction — out of town. That is why they fought their revolutions, remember? And because Mr. Gorbachev did not truly reform the party, Boris Yeltsin and the mayors of Moscow and Leningrad walked out on him and the party.

Hatred of the party that brought the gulag and similar innovations is why Muscovites demonstrate in the streets. It is why the growing democratic movement believes that only real democracy is a "coherent" way of "pursuing new directions."

It is why Mr. Kinnock sounded as if he were talking about another world, not that part of the world that has lived under communism.

Earlier this month leaders of Soviet groups that support democracy and the rights of independence movements met in Czechoslovakia.

They issued the "Prague Declaration," warning that if the Soviet Union did not cast the party off, it would be swallowed in the abyss of civil war. They pleaded with the West not to overlook the democratic movements by channeling aid to Mr. Gorbachev.

The obtusely supportive Western attitude on perpetuation of Communist Party rule is so widespread that it is unfair to pick just on Mr. Kinnock.

All right, let us also pick on the Bush administration, the high-riding West German government, President François Mitterrand of France, even Mrs. Thatcher — and all others so giddy with admiration for Mr. Gorbachev's ability to run the Communist Party that they clean forget what the party is. It is the creator and administrator of Soviet tyranny.

Perhaps one day the adaptable Mr. Gorbachev can be persuaded that the party is really over. Perhaps one day he will lead his followers out, which would bring the destruction of the party. Possible, but only if the West stops encouraging his hope that the party can continue to rule.

Whatever the West does or does not do, the terrible possibility is that civil war may come to the Soviet Union — communism's last gift.

But if Western aid encourages Mr. Gorbachev's hope that the party of Soviet horror can be the party of the Soviet future, it will make that war far more likely, perhaps inevitable.

The New York Times.



In Kenya, They Wave Fists Now

By Costas Christ

BRATTLEBORO, Vermont — For years, I waved hello to President Daniel arap Moi as he passed my house on his way to his residence on State House Avenue in Nairobi. He would almost always wave back, sometimes with a smile.

All of that has changed. Somewhere between the 1988 slaughter by poachers of the last five white rhinoceroses in Kenya (said to have been condoned by certain government officials) and the murder earlier this year of Foreign Minister Robert Ouko, I stopped waving to the president. Corruption, repression and political violence have become the rule in Kenya and, as a result, the Moi government may be perilously close to collapsing.

The killing of Dr. Ouko sparked demonstrations by university students, who have long complained of poor educational facilities, overcrowding, soaring unemployment (estimated at 40 percent), detention of government critics and bans on student unions.

The dangers posed by the students should not be underestimated. A record 19,780 students were admitted into Kenya's already overcrowded university system this year. The students have no jobs waiting after graduation and they are angry about it. Given their numbers — more than 16,000 at the University of Nairobi alone — it may take the army to stop them if they take to the streets in earnest.

Added to this is the incident (unprecedented since independence in 1963) at Mnoroto, a shantytown on the outskirts of Nairobi, on May 25.

Nairobi officials sent in bulldozers and police to evict men, women and children from their cardboard and tin shacks. Residents were brutally beaten. In the riots that followed, deaths were reported by church leaders but were denied by the government.

Embarrassed, the ruling Kenya African National Union party, the only political party permitted by law, and the president condemned the incident. But the damage, both mentally and physically, has been lasting.

It will be difficult for Mr. Moi to preserve his rule simply by cracking down harder. The population is increasingly intolerant of corruption and repression. Church leaders regularly challenge the government. A growing opposition continues to speak out, despite the threat of detention without trial.

With Mr. Moi widely believed to be suffering from throat cancer, government leaders are competing for power behind closed doors, as is suggested by the killing of Dr. Ouko, who was widely regarded as a possible successor to the president. The military and police took part in recent looting and rioting, leading to questions of loyalty and control.

Tensions between the United States and Kenya — one of the largest recipients of U.S. foreign aid in Africa — have been steadily rising for three years. When the American ambassador to Kenya, Smith Hempstone Jr., suggested that congressional leaders would tilt aid to countries that were moving to multiparty democracy, Nairobi accused the United States of using foreign aid as a threat.

Mr. Moi argues that a multiparty system in Kenya would lead to tribal politics and conflict. This is the same argument the British used to oppose Kenyan independence.

Mr. Moi's comments are embarrassing and untrue. The calls for multiparty democracy cross all tribal boundaries. His main objective, it seems, is to perpetuate his rule. Hence, he refuses to support any move toward political pluralism or even a reformed single-party system.

Kenya's years of strong growth and political stability have made it the envy of many sub-Saharan nations. It has long been lauded by the West as a model of success. Thus, fearing the kind of chaos that has engulfed neighboring Uganda, Kenyans have tolerated the Moi government and spurned movements that advocate a violent overthrow. But their patience is running out.

Unless Moi eases political tensions by permitting dissent and allows for the fruits of independence to be shared more equitably, Kenya may tumble into the abyss of economic destruction, desperate poverty and, ultimately, violent revolution.

The writer, the regional director for Africa Studies Abroad at the U.S. Experiment in International Living, contributed this comment to The New York Times.

100, 75 AND 50 YEARS AGO

1890: A 'Dastardly' Plot

PARIS — An amusing and typical incident occurred as M. Stambuloff, the Bulgarian Minister President, was boarding his little sailboat on the Danube. A hotelkeeper rushed up and exclaimed that he had overheard the captain of a Russian steamer offer six thousand louis for the Premier's head. Sure enough, a score of Russian sailors, apparently carrying carbines, were scrutinizing M. Stambuloff, who reluctantly gave up his sail. Our correspondent subsequently investigated the 'dastardly' plot. He found that the sailors' spy-glasses had been mistaken for carbines.

1915: Fate of Neutrals

LONDON — Germany is furious over what she gathers will be the contents of the new American Note on the Lusitania issue. The Berlin press is unanimous in declaring that the warning that further loss of American lives as a result of submarine attacks will be regarded as an unfriendly act has created a most serious situation. All the papers insist that Germany will not go a step further in the way of concessions and that submarine attacks on unarmed merchantmen will be continued regardless of the fate of neutrals.

1940: The War at Sea

LONDON — Great Britain yesterday [July 22] admitted the loss of another of her valuable destroyers, announced the sowing of a vast new mine field blocking the southern approaches to the Irish Sea and Bristol Channel, and disclosed that Germany's warfare on shipping had sunk the 1,282-ton freighter Frossoula of Panama registry. The mining of the southern reaches of the Irish Sea, a step intended as a protection against seaborne invasion of these islands from French western ports, was announced by the Admiralty.

— From the New York edition of the New York Herald Tribune.

Protest by Mohawks Enrages Canadians

After Blockade at Commuter Bridge, Montrealers Burn Effigies of Indians

By John F. Burns
New York Times Service

TORONTO — For the last two weeks, Canadians watching television have been confronted with the image of armed Mohawks in camouflage uniforms, bandanas across their faces, blockading one of the most important transport arteries in the country, the Mercier Bridge across the St. Lawrence River into Montreal.

Among some of the 60,000 Montreal-area commuters who have been barred from their normal route into the city, the situation has fostered a rising fury.

Since armed settlers and red-coated Royal Canadian Mounted Police drove the country's original inhabitants from their traditional lands a century and more ago, there have been few such widely publicized instances of hostility between the descendants of Canada's European settlers and the 1.2-million people of Indian descent, about 470,000 of whom are formally registered as Indians.

Residents of Montreal's Chateauguay suburb have hung straw effigies of Mohawks from lampposts at the approaches to the bridge and burned them.

Angry crowds of as many as 3,000 at a time have gathered at police lines, upending steel barriers and shouting angry epithets at the Mohawks blocking the milelong bridge.

Canadian Army units have been reinforced in case the Quebec government decides to end the blockade by force.

Free bus convoys have been offered to commuters who have found a 30-minute trip to work in Canada's second-largest city turned into a two-hour diversion across a bridge 10 miles downstream.

For the Mohawk leaders, and for dozens of other tribal leaders from across the country who have gathered in Montreal, the stand at the bridge is a powerful act of symbolism.

The Mohawks are seen as having put the rest of Canada on notice that native peoples will no longer wait patiently for the federal and provincial governments to deal with their grievances.

But to many Canadians of European descent, the blockading of the bridge and a similar armed standoff 20 miles (32 kilometers) away at Oka, Quebec, in which a policeman was killed on July 11 in a dispute over a golf course extension, sends a different kind of message.

To those people, scenes of provincial officials negotiating with the Mohawks, and news conferences at which government ministers have pleaded with the Mohawks to dismantle their barriers in return for title to the disputed land at Oka, risk encouraging native groups to take up arms in support of their demands.

[The Assembly of First Nations, an Indian lobbying group, issued a list of demands, including a call for the federal government to reconvene Parliament to deal with the land claims issues, Reuters reported. But over the weekend a federal minister of Indian affairs rejected the demand.]

Originally, the Mohawks demanded a halt to the nine-hole golf course extension at Oka and title to the 55 acres of land involved, which are said to cover a sacred Mohawk burial ground.

That has been conceded by Quebec, after contacts with the federal government produced a commitment that Ottawa would seek to purchase the land and turn it over to the Mohawks.

French Hold 3 Linked to Arms Traffic From Beirut

New York Times Service

PARIS — The head of the security detachment at the French Embassy in Beirut was formally charged Sunday with operating an arms-smuggling ring out of the diplomatic mission and with supplying sophisticated weapons to underworld gangs in the south of France.

Two other members of the elite security force were also accused of violating laws prohibiting the purchase, possession and sale of weapons of war.

Two French policemen had been charged last week, and investigators said the case was still unfolding.

Bought cheaply on the Beirut arms market, automatic weapons and even rocket-launchers were shipped back to France in diplomatic trunks not subject to customs inspection and sold at between 10 and 20 times their purchase price, according to French investigators.

A state prosecutor in Marseille, where the case is being heard, said that at least 10 members of the Compagnie Républicain de Sécurité — the national riot police force known as the CRS — were implicated in an operation believed to have begun several years ago.

The Foreign Ministry has ordered an investigation, although a spokesman said that apparently no French diplomats were involved.

The interior minister, Pierre Joxe, said last week that those found guilty in the case would be severely punished.

He described the scandal as a blow to the image of the French police.

Much as Marines guard U.S. embassies around the world, the CRS provides security to French diplomatic missions.

After its ambassador to Lebanon was killed in 1981, France increased security at the Beirut embassy to about 150 CRS members.

The officer charged Sunday was police Brigadier Jean-Claude Labourdette, who has been based in Beirut since 1984 and heads the embassy guard.

Police investigators said that other suspects had identified him as their leader; Mr. Labourdette was brought to Paris from Beirut last week.

The two other CRS members charged Sunday, Patrick Jacquin and Jean-Noel Lebat, were returned to France last week from Washington, where they have been part of the embassy's security group.

Both were previously stationed at the French mission in Beirut.

In recent raids in France, members of the Judicial Police say they found about 100 assault rifles, as well as handguns, detonators, ammunition and bayonets.

They said they also found three rocket-launchers at Mr. Labourdette's residence south of Paris.

Investigators say they have evidence linking some of the smuggled weapons to an underworld organization, known as the Gang of the Alps, which is believed responsible for an attack in March on a private security van in Marseille in which two guards were killed.

New Simplicity and High Art Strut the Runway

By Suzy Menkes
International Herald Tribune

PARIS — Christian Lacroix, the master of splashy color and wild print, set out to prove that he is not afraid of the dark. He was cheered on the opening day of the French couture collections here, not for his heady mixes of the exotic, but for the sensual simplicity of the little black dress.

It came out bared and strapped across the back, a lacy slip

PARIS FASHION

wrapped inside a tomato-red velvet bathrobe. Or it was coal-black crepe, draped like a sarong round the hips, and then thrown back over the shoulder with a fringe of shiny jet.

Lacroix's imaginative strength was to use black like color, with even the opening coat banding black velvet as dark as treacle with ciré and paillettes in a symphony of matt and shine.

The buyers, accustomed to undressing in their heads Lacroix's runway extravagances, were stunned by the new simplicity.

"He recharged the batteries of the little black dress," said Bloomingdales' Kalman Ruttenstein.

"It was exciting, eccentric and sometimes erotic," said Lynne Manulis of Martha, praising the black "nightie" dress. Bergdorf's Andy Basile liked the move to a leaner line, which included simple cigarette pants, worn with poncho coats, and I. Magnin's Rosemarie Bravo loved the fabrics, textures and the color.

That was much calmer, with only splashes of bright tweed for neat suits, and many shades of red, from pimento through to oxblood. Gilded ornaments on dickie fronts, baroquely decorated boots and a sprinkling of hats and funky purses were all that was left of the over-the-top Lacroix. And even the strong evening statement, for a shapely corset worn over a slender evening dress, was sophisticated.

There were reprises of Lacroix's signature themes: the hippie revival as a delicious patchwork of panne velvet worn over slim pants; or the Spanish corrida refined down to a lime-green bolero. Color to send shivers down the spine was an apricot-velvet bodice, scissored as with pastry cutters, with a peach of a pleated skirt.

Why then, when the collection was so much more mature and elegant, and still wonderfully rich in its imagery, did it seem to miss that beat that makes the heart go quicker and the fingers tingle?

The problem is in the line. Skirts were always short and mostly slim, sometimes topped with a longer coat. High heels, new for Lacroix, made the clothes look sexier, but less charming and quirky.

The silhouette swung out merrily for trapeze and ponchos coats and for a chic, short, back-buttoned mink. It came back to the body line for a hand-painted stretch dress or an embroidered maillot under an irridescent moiré trench. Lacroix had worked hard at drapes, which caressed the body, or whorled into a cheeky rosette on the derrière.

But while the best of his work recalls the vibrant young Yves Saint Laurent, Lacroix can still only aspire to the seamless authority of the master's cut. And a little black dress, however well chosen its fabrics and adorable in shape, has to be simply perfect.

Hanae Mori's collection was skittish, with a sequined bra peeping out from a suit, feathered skirts, and tailoring that went with a swing, from flaring coats to a long curvy jacket that flipped out at the back.

A pure white rose, named after the Japanese designer, was the inspiration for romantic evening gowns, appliquéd with tea roses at the back. Hanae Mori has also taken a look at the Van Gogh paintings bought by Japanese. Vibrant mixes of sunflower and sunshine yellow made dramatic evening dresses and the finale, inspired by the painter's brush work, was slender dresses with sequins undulating across the body above the embroidered roofs of Arles.

Gianni Versace's collection was high art — so high that micro-mini dresses soared to where most swimsuits would not dare to bare. The wonder was that so many beads could be encrusted on such a tiny stretch of fabric; such wild mixes of prints be trapped between bosom and thigh; such violent colors clash in one shoe or two lapels.

Not since the 1960s have legs had such exposure, and Versace was at his best with graphic leggings, some with Marilyn Monroe's face embroidered Pop-Art style, or psychedelic cat suits that came under thigh-length jackets.

Much-too-much ideas included skirts whooshed up into minuscule poufs in three sizes of spot, metallic bras smoldering sexily down the runway and dresses with purses appliquéd trompe-l'oeil all over. And what about those fig-leaf hemlines?

A buttock-skimming maillot dress was worn by the actress Jennifer Flavin, who with her boyfriend, Sylvester Stallone, was at the dinner that the Italian designer threw in the gardens of the Ritz after the show on a steamy night.

"She wanted me to make it even shorter," Versace said. "But I thought enough was enough."



Christopher Moore

The micro-mini, left, showed Gianni Versace's high-mindedness, while Christian Lacroix proved that he's not afraid of the dark.

Tent City Protest Prevails in Sofia

By Blaine Harden
Washington Post Service

SOFIA — On the "Street Without Communism" in the "City of Truth," the nonnegotiable demand is that the former leader, Todor Zhivkov, appear in front of the parliament to explain the things he did before he was overthrown last fall.

The "city" is a camp of about 100 tents pitched next to the office of the president of Bulgaria and across the street from the headquarters of the governing Bulgarian Socialist Party.

Among the tents are men sporting long beards, women in miniskirts, environmental petitioners and cross-legged, blanket-sitting discussion groups.

The music is vintage 1960s and John Lennon's "All We Are Saying Is, Give Peace a Chance" has been resurrected. Every morning the 350 camp residents wake up, roll back their tent flaps, elect themselves a new mayor-for-a-day and amble off to the public toilets.

What is significant about the city — in a country with a centuries-old tradition of beating, jailing and executing its critics — is its raw political power.

The students, teachers and artists who have lived in the tents since July 7 are changing government policy. When these hippies-come-lately make demands, the former Communists who are struggling to keep control of the country seem to have no choice but to listen and respond.

The demonstrators demanded the resignation of President Petar Mladenov. This was prompted by public anger over a videotape that showed Mr. Mladenov discussing the possibility of using tanks last December against crowds of protesters. He resigned on July 6.

Residents of the city also demanded the resignation of the head of Bulgarian television, accusing him of Communist bias. He resigned July 14.

They demanded that the embalmed body of Georgi Dimitrov, the father of Bulgarian communism, be removed from his Lenin-style crypt in central Sofia. Last week, the government halted public viewing of the body, removed the mummified corpse from the crypt and cremated it. The ashes are to be buried Monday.

After 41 years of venerating Mr. Dimitrov's body while a white-gloved honor guard stood watch, the government last week allowed residents of the city to hang disrespectful posters on the railing in front of the empty crypt. One sign reads: "It Stinks."

The most recent demand, for Mr. Zhivkov to be called before parliament to explain his 35 years of intolerant and economically destructive rule, was approved last week by the legislature.

As an unexpected bonus, Mr. Zhivkov himself, who has not spoken publicly since his overthrow last November, said in a letter read to parliament that he wanted to "tell the truth about the period in which I worked and about my activities."

The Bulgarian Socialist Party, formerly the Communist Party, won an absolute majority in multiparty parliamentary elections last month. The victory, in a vote that was generally regarded as free and fair, was unique in Eastern Europe's year of elections. Only here did former Communists win back power, after offering a well-organized opposition a chance to take over the government.

That victory, however, quickly soured. The election revealed a profound schism between urban and rural and professionals and workers. Voters in Sofia, the capital and largest city, backed the main opposition alliance, the Union of Democratic Forces. In the countryside, the Socialists won an overwhelming majority.

Since the election, Prime Minister Andrei Lukanov, a change-minded Socialist, has insisted that the country is ungovernable unless the opposition — particularly the professionals and technocrats who support it — joins in a coalition government. Without such an alliance, Mr. Lukanov has said, Bulgaria cannot begin to rebuild its debt-crippled and centralized economy.

The opposition, however, has thus far adamantly refused any coalition. Its leaders say they prefer to let the Socialists stew in the economic juices that they brewed over the past half century as Communists. Instead, the opposition has given its support to the bearded and unconventional souls who torment the Socialists with nonnegotiable demands.

Since its election victory, the Socialist Party has become desperate for closer Western ties. Bulgaria's $10.2 billion foreign debt cannot be repaid without a generous rescheduling of payments to Western banks. The economy needs the aid and investment from the West similar to that now flowing into Poland and Hungary.

Inside the "non-Communist zone" in the city, protesters explain with barely concealed glee how the "commies" now have no choice but to be tolerant. They say the government simply cannot afford the unfavorable international publicity of a "Romanian solution."

Late last month in Romania, President Ion Iliescu bused in vigilante miners to muscle anti-government protesters camped out in the capital. The beatings, which were televised worldwide, severely damaged the credibility of the newly elected Bucharest leadership and caused several Western countries, including the United States, to suspend development aid.

"The lesson of Romania was too severe," said Willy Kavaldjiev, a spokesman for the City of Truth. "They won't dare do it here. In the economic situation that this country is in, it is unthinkable that they would risk such a step."

"Unless we keep permanent pressure on the Communists, they will not do anything," he said. "Nothing will change unless we stay here."

Scholars Take a Sabbatical From Beijing's Dogma

By Daniel Southerland
Washington Post Service

BEIJING — A scholar who visited the Chinese Academy of Social Sciences recently was startled, then amused, by what he saw in a seminar room.

A Communist Party cadre was lecturing to Chinese intellectuals on a "very important speech" by the party general secretary, Jiang Zemin, but five or six in the group were sleeping. Two snored. Six or seven others read books or newspapers while the remainder slumped in their seats, visibly bored.

According to several Chinese scholars, future generations may well look back on this as a time in which some of China's best brains slept their way through an unpleasant experience, waiting quietly for a change in the country's leadership.

The academy has been China's major institution for research in the social sciences, and its scholars often offered party leaders new ideas for the nation's problems. Once the home for many prominent theorists in social and political change, the academy now appears to be under the control of ideological hard-liners.

But the party's year-old political indoctrination campaign appears to have failed at the academy or in other educational institutions. Scholars who last year were active advocates of the democracy movement are remaining quiet, studying and thinking in preparation for the movement's next stage.

"Intimidation and indoctrination can no longer change people's minds as in the past," middle-aged intellectual said. "The past 10 years of opening to the outside world has made that impossible."

"People will find a way to express their feelings as long as there is any chance," he added. "This could be the most dangerous thing for the party leadership."

A similar situation exists at many other universities, where students who were active in the movement last year say that planning, not open dissent, is the proper course for them to follow at the moment.

Students at Beijing University, a center of last year's demands for democratic change, said they were now studying American political theories and the "new thinking" of President Mikhail S. Gorbachev as they prepare the way for a "restructured, liberalized China."

"Last year, many students were accused of being inexperienced and unaware of the realities of politics," a student said. "So we are now researching Western concepts of democracy and Soviet political reform to prepare a great new theory for the next stage of China's development."

But Mr. Gorbachev is no longer quite the hero among some Chinese intellectuals that he was a year ago. This is one reason why some scholars are now opting for reflection rather than action.

"Perhaps democracy has to come more slowly in China," he said. "We still want democracy, but we think that people tried to move too quickly last year."

COURT: *Supreme Court Vacancy Puts Bush to a Test*

(Continued from page 1)

botham, both of the 5th U.S. Circuit Court of Appeals; Ralph K. Winter of the 2d Circuit; J. Harvie Wilkinson 3d of the 4th Circuit; Pamela A. Rymer of the 9th Circuit, and Clarence Thomas of the District of Columbia Circuit.

Senator Patrick J. Leahy, Democrat of Vermont, who is a member of the Senate Judiciary Committee, said Sunday that Mr. Bush's selection "can shape the voice of the Supreme Court well into the next century."

Mr. Leahy said he hoped the president would take a long view of the selection rather than seek to satisfy the politically potent conservative wing of his party.

"Is he going to make a symbolic act or assure his place in history?" Mr. Leahy asked. "I think he ought to assure his place in history."

A Republican member of the committee, Senator Arlen Specter of Pennsylvania, commenting on the abortion question, said: "I hope that President Bush does not go for a single-issue litmus test."

Mr. Specter said he did not believe abortion was going to be the determining issue in the Senate's deliberations on a nominee.

Senator Howard M. Metzenbaum, an Ohio Democrat and Judiciary Committee member who was often critical of President Ronald Reagan's Supreme Court nominees, said that while he did not believe Mr. Bush would nominate someone to his liking, "there is a chance he'll send somebody up who I would consider a balanced nominee."

"I would say there's an overwhelming likelihood that whoever the president sends up will be confirmed," Mr. Metzenbaum said. "But I wouldn't want to say with certainty because it depends upon what kind of individual he sends up."

BIRTHS: *The Graying of Europa Is Accelerating*

(Continued from page 1)

migration, preferring instead to respond to public pressure to keep out foreigners.

"People have tended to look at immigration as the problem," a British sociologist said.

"But it really is the consequence. Look at the United States and Mexico. As long as there are poverty and people in the Third World and jobs and capital in the First World, economic forces will work naturally."

While these forces are also at work in the United States and Japan, the demographic change is strongest in Western Europe.

Of the European Community members, only Ireland has a fertility rate that is keeping up with the natural replacement level of 2.1 children.

In Italy and Spain, traditionally countries of large families, it is down to 1.3. And in the European Community as a whole, where there were 41,000 fewer births in 1989 than in 1988, the average is only 1.58.

Demographers calculate the replacement level at 2.1 rather than 2 to take account of people who die before they reach reproductive age.

As life expectancy has surged, the "graying of the population" has accelerated.

"There are already 100 million people in the European Community nations over 50 years of age and their number is growing steadily," the EC Commission said in a recent report.

"By the early years of the next century, Europe will have more older than younger people. The traditional 'age pyramid' will stand on its head."

One effect will be on social welfare budgets, with governments required to switch the focus of spending from children and education toward senior citizens, pensions and health care.

For example, a recent study in Madrid showed that the city had more people over 65 than under 15.

Still more significant will be the impact on a labor force that is being squeezed by youths who are stretching out their years of education and older workers seeking early retirement.

By the year 2020, according to the European Commission, nonworking dependents will account for two-thirds to three-quarters of the people in the 12 European Community nations.

For demographers, the statistical message is clear. "The need for immigrants will grow," Mr. Chesnais said.

"You'll have fewer people entering the labor market and more leaving. You'll have an aging labor force that is tired and less efficient but also wants higher salaries. What does a businessman do? He turns to immigrants who earn less and work harder."

Mass immigration to Western Europe began in the 1960s, with concentrations of Algerians in France, Indians and Pakistanis in Britain and Turks and Yugoslavs in West Germany.

By the mid-1970s, political pressure brought restrictions. But the flow continued as relatives joined immigrants and as illegal immigration rose.

Today, with tens of thousands of Third World citizens entering the region each year, either as illegals or as refugees, hostility toward immigrants is growing in several countries, notably France and West Germany.

As it prepares to eliminate its internal borders in 1993, the European Community is also planning a unified policy to keep out new immigrants.

Marilyn Quayle Has Tumors Out

New York Times Service

WASHINGTON — Marilyn Quayle, the wife of Vice President Dan Quayle, has undergone surgery for cervical cancer and is expected to make a full recovery, White House aides said.

A statement by the vice president's office did not specifically disclose Mrs. Quayle's ailment, but other Bush administration officials said it was cancer.

GERMANS: *Balking at Pace*

(Continued from page 1)

wanted his government to retain some powers even after reunification. The newspaper said East Germany wanted to keep the money it expected to collect as the state sold off government-owned businesses.

That is not sitting well with West Germany, which last week doubled the amount of credit it is extending to East Germany's faltering industries. Unemployment is soaring in the East as government enterprises find themselves incapable of competing with products from the capitalist West.

"We are not a paymaster and are not going to become one," the West German finance minister, Theo Waigel, said Sunday. "East Berlin cannot keep making new demands every day."

West German negotiators said they would remain tough against the new East German demands, especially since the agreement last week between Bonn and Moscow, which removed the final external obstacle to German reunification.

Mr. Kohl's popularity in his country has jumped to an all-time high as a result of his successful meeting with Mikhail S. Gorbachev in Moscow, and Bonn is in no mood to let the outgoing East Berlin administration slow the drive to unity.

But the two Germanys even disagree over what to call the new country.

Mr. de Maizière, whose country is officially called the German Democratic Republic, wants the united nation to be known as the German Federal Republic.

Mr. Kohl wants to keep West Germany's official name, the Federal Republic of Germany.

But recent polls of the West German public show that nonpoliticians prefer something a bit simpler: just Germany.

Train Derailed Near Glasgow

Reuters

LONDON — Seventeen people were injured when a train derailed moments after leaving Glasgow station for Ayr in Scotland on Saturday night.

BACKLASH: *Japanese Feel It*

(Continued from page 1)

fact that most Japanese families are on temporary assignment, have led to social isolation. And as the Japanese presence has increased, there has been a growing resentment among many Americans who believe that the Japanese have usurped the U.S. position in the world economy.

There are an estimated 60,000 Japanese men, women, and children living in the New York region, according to the Japanese consulate. For the most part, they are here for a few years with Japanese corporations, but there are also long-term residents who never obtained U.S. citizenship, and spouses of American citizens.

"It's a new phenomenon that people have yet to absorb," said Daniel Bob, the assistant director of studies and policy programs at the Japan Society, a private organization committed to bettering understanding between the United States and Japan.

"It's similar to the American invasion of Europe in the 1960s," he said. "Initially, there was a great uproar over American investments and fear of an American takeover. It's a natural reaction to something that happens so quickly."

Many Japanese say they have yet to encounter strained feelings. Moreover, signs of tension are usually muted in the educated, sophisticated communities with the greatest concentration of Japanese.

"You see Japan blamed and put down on television, in newspapers, and in political speeches," said Masato Matsuo, 53, a Scarsdale resident and president of Nippon Zeon Co. in White Plains, a chemical company. "But I don't directly see this in my personal relationships. The intellectuals know exactly what's going on and don't blame me for it."

In gestures grand and small, the Japanese have also tried to smooth relations. Many drive American cars — a symbolic act bespeaking a respect for American products at a time when Japanese consumer products dominate.

In Harrison, New York, the founders of a new Japanese high school gave the town $500,000 in thanks for its cooperation. In Rye, 48 Japanese families donated 10 Japanese cherry trees to a school at graduation this year.

And for the second year in a row, the Japanese Chamber of Commerce and Industry of New York flew a dozen educators from the New York region to Japan for a two-week tour.

Yet it is not unusual to overhear people castigating the Japanese in whispered conversations for "taking over" their neighborhoods or schools or country clubs.

Racist outbursts have grown common, too. Motorists yell "Japs" at Japanese golfers as they drive by.

"I've been playing golf for years, and I've never heard this as much as in the last year," said Mr. Furumoto, who as a child was interned in California during World War II.

MOSCOW: *A Shortage of Bread*

(Continued from page 1)

economy" was badly battered by parliament last month, said that a new compromise program would be proposed in September.

"Current conditions in the country show convincingly it is impossible to spend time or energy on confrontation," he said.

Mr. Ryzhkov said that a decision was expected soon on the transformation of a "considerable number" of enterprises to share companies.

Other expected changes, he said, included increases in interest rates paid by savings banks, now languishing at 1 to 3 percent, and new legal protections for entrepreneurs.

Echoing Mr. Ryzhkov's warning on food, the main agricultural daily, Selskaya Zhizn, said that the state was not buying enough grain to ensure steady bread supplies to the population.

The newspaper said that the state had to acquire 85.3 million tons of grain, but that only 76 million tons had been contracted, despite sharp increases in procurement prices and incentives.

WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Securities, London, Tel: 01 323 11 30. Prices may vary according to market conditions and other factors. July 20

Dollar Straights

Governments/ Supranationals

Banks & Finance

Global Corporates

Third World

Issuer	Con	Mat	Price	Yld Mat	Spd Trsy
Astra Sa	16¾	92	98	17.13	
Bogotá	17½	92	106	12.99	+468
Escom	11½	91	98½	13.01	+470
Escom	12¼	91	99	13.13	+482
Mexico	8¾	92	92	13.94	+763
P E M E X	17¾	94	114	1.05	-726
South Africa	12½	91	100	11.96	+365

Floating Rate Notes

Deutsche Marks

Pounds

Dollars

Ecus

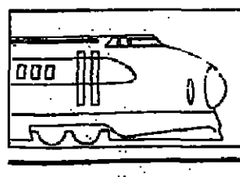
Issuer & Mat	Price	Crt. Cpn.
Bco Agricoltura 97	99⅝	10.56
Belgium 27-apr-00	100⅛	10.13
Belgium 99 May	100	10.25
Bnp Aug96 (Ecu)	99⅝	10.55
Ccce Feb 06	99⅝	10.73
Cr Foncier 96 (Ecu)	100	10.36
Enl 92	99⅞	10.51
Ireland 97 (Ecu)	100	11.13
Lavoro Bc Naz Apr 00	99½	11.03
Pacar 95Sept 97	98½	10.50
St-gobain Perp	92	11.25

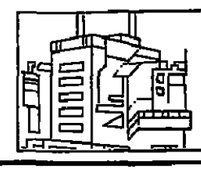
Dollar Zeros

MUTUAL FUNDS

Figures as of close of trading Friday, July 20.

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.


FROM HIGH SPEED TRAINS


TO FAST BREEDER REACTORS
In Touch with Tomorrow
TOSHIBA

WALL STREET WATCH

Investing Patriotically? 'Caveat Emptor' Applies

By Diana B. Henriques
New York Times Service

NEW YORK — Patriotism may be the last refuge of scoundrels, but it is often the first choice of companies seeking the ear of the investing public. Consider the case of American Spirit Corp. of Beverly Hills, California. American Spirit is a tiny over-the-counter company that is affiliated with the American Spirit Foundation, a nonprofit organization whose stated goals include the commemoration of America's political heritage.

The corporation's principal tangible assets are two original bronze monuments, weighing a total of nearly 30 tons, that commemorate the bicentennials of the United States Constitution and the American presidency.

American Spirit products conjure up phrases like 'We, the people.'

It also owns the copyrighted etchings used to produce exact bronze replicas of the Constitution itself, suitable for mounting in schools and libraries. American Spirit, in short, is a company whose products conjure up phrases like "We, the people" and "E pluribus unum."

A more apt phrase for investors might be "caveat emptor." According to audit reports on file at the Securities and Exchange Commission, this company — whose shares are quoted by brokers at $3.75 if you want to buy them and $3 if you try to sell — is so short of capital that its survival is in doubt. And its chief assets, those two bronze monuments, have been pledged as collateral for loans due at the end of this month.

As SEC documents go, the filings by American Spirit are in a class by themselves. The catalog of exhibits include cameo appearances by President George Bush, who signed a letter last November endorsing the display of the bronze documents in schools; former President Ronald Reagan, who dedicated one of the company-owned monuments at a ceremony in 1987; and former Chief Justice Warren Burger.

Among the leading players is Brett-Livingstone Strong, the Australian artist who created the plaques and statuary. Mr. Strong is perhaps better known for his bust of John Wayne, chiseled into a Malibu Beach boulder. The company's chairman and largest shareholder is Jeffory Fairbrother, an Australian businessman.

OVER THE LAST YEAR, Mr. Fairbrother has been involved in a series of deals that left his new company in possession of these art works and four million restricted shares of the company's stock, for which he paid $800, or one-fiftieth of a cent per share.

The nonprofit foundation was formed in May 1989, said its president Peter F. Paul. Its relationship with the publicly traded corporation is a little vague: The company's SEC filing shows that it pays Mr. Paul's salary and for the foundation's office space, while Mr. Paul described the company simply as "one of our sponsors" and "the exclusive supplier" of the bronze plaques that figure in one of the foundation's projects.

On Friday, Mr. Fairbrother said the company's report to the SEC was "not exactly accurate. We make a nominal and regular contribution to the foundation," he said, "but we don't pay directly any salaries. They are independent. There will be an amendment to that effect, in due course."

The plaque project calls for the foundation to enlist donors whose tax-deductible contributions — $6,000 per Constitution — will be used to place these bronze replicas in schools and other public locations.

Then the foundation will buy the plaques from the corporation for $4,000 per set, or about $2,300 more than the plaques cost the company to produce. Proceeds from plaque sales are envisioned as the company's chief source of revenue.

Aside from plaque sales, the company's only other source of income is the sale of stock through the exercise of warrants, which Mr. Fairbrother said has produced "at least $300,000" in fresh cash from investors since the date of the SEC report last March.

The company's obligations, however, appear pressing. It owes $850,000 to the National Australia Bank, secured by the Presidency monument, and an additional $110,000 to a Los Angeles lawyer named Jerome Wank, a company shareholder.

That note is secured by the Monument to the Bicentennial of the United States Constitution. Both loans are due on July 31, and, as of the company's March report to the SEC, the company did not have the money to repay those loans.

Mr. Fairbrother insists that the monuments are not at risk, however. Mr. Wank agreed on Thursday to extend his note, the chairman said, and the company is now negotiating with the bank.

"These are magnificent works of art and there is no way that the bank or Wank would set about trying to collect on them."

Carl Gewirtz is away.

CURRENCY RATES

Cross Rates — July 20

	$	£	DM	F.F.	Lire	D.Fl	B.F.	S.F.	Yen	CS	Peseta
Amsterdam	1.849	3.3565	1.1265	0.3358	0.1539 °	—	5.446 °	1.3154	1.3485 °	1.403	1.84 °
Brussels	33.9325	61.43	20.6715	6.1455	2.8151 °	18.299	—	24.0625	0.237	29.32	33.663°
Frankfurt	1.6415	2.979	—	0.2982	0.1365 °	0.8877	4.832 °	1.1677	1.1905 °	1.4236	1.632 °
London (a)	1.815	—	2.9798	0.5505	2.2188.59	1.3535	61.40	2.5543	278.14	2.098	162.42
Madrid	100.54	182.326	61.248	18.259	8.363 °	54.367	2.9726	71.49	67.462 °	871.35	—
Milan	1,202.50	2,181.90	732.28	218.34	—	650.17	35.53	855.18	8.07	1,042.50	11.96
New York (b)	—	1.8385 a	1.638	5.4925	1,591.50	1.5445	33.755	1.457	140.68	1.1556	100.25
Paris	5.525	9.973	3.3542	—	0.4581 °	2.9774	0.1428	2.9142	3.694 °	4.263	5.4775°
Tokyo	148.20	270.02	90.43	26.95	8.1284	80.26	4.3898	105.56	—	128.45	1.4782
Toronto	1.157	2.1071	0.7051	0.2102	0.063 °	0.6261	3.418 °	0.8225	0.7774 °	—	1.152 °
Zurich	1.4852	2.5407	0.8562	0.2552	0.1169 °	0.7599	4.1554 °	—	0.9436 °	1.2285	1.3978°
1 ECU	1.2687	0.6923	2.3695	6.9435	1,818.63	2.3372	42.6694	1.7122	167.872	1.4532	126.765
1 SDR	1.2346	0.7407	2.2872	N.A.	1,610.53	2.4868	45.4925	1.8905	N.A.	1.5516	135.190

Closings in London and Zurich, fixings in other centers; New York closing rates, Toronto rates at 3 p.m.
a: To buy one pound; b: To buy one dollar; °: Units of 100; N.Q.: not quoted; N.A.: not available.

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argen. austral	2275.1	Greek drac.	160.65	Mex. peso	2868.00	S. Afr. rand	2.6225
Austral. $	1.2788	Hong Kong $	7.7665	N. Zealand $	1.6878	Soviet ruble*	0.5895
Austr. schil.	11.55	Indian rupee	17.482	Norw. krone	6.2965	Swed. krona	5.944
Brazil cruz.	67.70	Indo. rupiah	1849.01	Phil. peso	23.21	Taiwan $	26.72
Chinese yuan*	4.72	Irish £	0.6731	Port. escudo	143.95	Thai baht	25.51
Danish krone	6.248	Israeli shek.	2.01	Saudi riyal	3.75	Turkish lira	2631.00
Egypt. pound	2.7024	Kuwaiti dinar	0.2902	Sing. $	1.8155	UAE dirham	3.6727
Fin. markka	3.8375	Malay. ring.	2.7845	S. Kor. won	715.60	Venez. boliv.	49.55

*New York rates unless marked * (local rate.)*

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.8931	1.7929	1.7834	Canadian dollar	1.1579	1.1632	1.1677
Japanese yen	147.98	147.92	147.98	Swiss franc	1.4045	1.4035	1.4026
Deutsche mark	1.6423	1.6421	1.6419				

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR); Gosbank (ruble). Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	July 20	July 13	Ch'ge
DJ Indus.	2,961.14	2,980.20	—0.64 %
DJ Util.	202.15	206.17	—1.95 %
DJ Trans.	1,159.49	1,187.59	—2.37 %
S & P 100	345.33	348.89	—1.02 %
S & P 500	361.61	367.31	—1.55 %
S & P Ind	428.69	435.38	—1.54 %
NYSE Cp	197.65	200.33	—1.34 %
Britain			
FTSE 100	2,400.10	2,382.20	+0.75 %
FT 30	1,898.10	1,880.10	+0.96 %
Japan			
Nikkei 225	32,422	32,644	—0.68 %
West Germany			
DAX	1,947.43	1,930.97	+0.85 %
Hong Kong			
Hang Seng	3,540.43	3,507.16	+0.95 %
World			
MSCIP	538.10	530.30	+1.47 %

World Index From Morgan Stanley Capital Int'l.

Money Rates

United States	July 20	July 13
Discount rate	7.00	7.00
Federal funds rate	7 15/16	8.00
Prime rate	10.00	10.00
Japan		
Discount	5¼	5¼
Call money	7 7/16	7 11/32
3-month interbank	7 19/32	7½
West Germany		
Lombard	8.00	8.00
Call money	8.00	8.20
3-month interbank	8.20	8.30
Britain		
Bank base rate	15.00	15.00
Call money	15.00	14 15/16
3-month interbank	14 31/32	14 31/32

Gold	July 20	July 13	Ch'ge
London p.m. fix.$	361.00	363.60	—0.72 %

Saudis Assert That OPEC Output Pact Is Firm

Reuters

NICOSIA — Saudi Arabia said on Sunday that it was confident that the accord it masterminded to cut OPEC output was still firm, despite subsequent Iraqi accusations of bad faith against Kuwait and the United Arab Emirates.

"It is a very solid agreement and will be the cornerstone on production-sharing needed to stabilize oil prices," a senior Saudi Oil Ministry official said in a telephone interview.

"There is no reason to doubt their commitments because they came at the highest levels," said the official, who declined to be identified.

The Saudi assurances came as Egypt's president, Hosni Mubarak, said in a televised speech that "the dispute between Iraq, Kuwait and the United Arab Emirates is a cloud which will pass over."

Mr. Mubarak met Sunday with Iraq's foreign minister, Tareq Aziz, in an attempt to defuse the dispute. Mr. Aziz brought the Egyptian leader, who is a staunch ally of all three nations, a letter about the dispute from Saddam Hussein, the Iraqi president.

Oil ministers from the 13-member Organization of Petroleum Exporting Countries are due to meet in Geneva on Thursday.

OPEC's president, Sadek Boussena, said Sunday that the organization would leave current oil output quotas largely unchanged at the meeting and work to boost oil prices above $18 a barrel.

The Jeddah deal by Saudi Arabia, Kuwait, the UAE, Iraq and Qatar, calls for limiting OPEC's overall output to a ceiling at or just below 22.5 million barrels per day, until oil prices exceed OPEC's minimum reference of $18 a barrel.

Although it is higher than the previous ceiling of nearly 22.1 million, it would mean a cut in production by the emirates and Kuwait of some 800,000 barrels per day.

Oil prices, which had tumbled 30 percent during the first half of this year, rose markedly on news of the Saudi-inspired accord last week.

High-placed OPEC delegation sources said most cartel members now favor setting a new target of $20 a barrel for the group's "basket" of seven light crudes.

The dispute between Iraq and Kuwait and the emirates flared when Mr. Hussein accused them of stabbing Iraq in the back by flooding the market with cheap crude, adding that Iraq had lost $14 billion so far this year as a result.

Iraqi state-controlled newspapers said on Friday the two quota busters, who have flouted OPEC rules in the past, were not to be trusted to honor their Jeddah pledges.

Mr. Hussein has threatened to take unspecified action against the two if they continue to undermine prices.

Even Iraq's foe, Iran, is supporting the Iraqi leader's stance. On Sunday, the Iranian newspaper Kayhan International wrote that "Kuwait and the UAE have made so many enemies through their past irrational behavior that they should expect little or no sympathy from other producers in the upcoming ministerial session in Geneva."

"The Iraqi government is voicing sentiments of all other OPEC member states," the newspaper added.

A New York-based analyst said: "Up to now there has been no mechanism to enforce quota discipline within OPEC."

Now, "They have found one," he added: "Saddam Hussein."

Bond Corp. Liquidation Is Called Probable

Reuters

SYDNEY — Bond Corp. Holdings will most probably be liquidated unless it is given time to restructure, company director Peter Lucas said on Sunday.

Mr. Lucas said in a television interview that liquidation would almost certainly follow "as a consequence of some intermediate steps that others would take," referring to Bond Corp.'s attempts to persuade holders of the company's convertible bonds to approve a key brewery transaction and a moratorium on interest payments.

On Thursday, Alan Bond offered to resign as chairman of Bond Corp. at a meeting of bondholders in a last-ditch attempt to ensure the company's survival.

"Liquidation will certainly crystallize a nil value on these bonds, whereas if they agree to these proposals and we are able to get a similar agreement from the Eurobond holders, then we can get to a position where there probably will be value over a period of time," Mr. Lucas said.

The 1.8 billion Australian dollar ($1.41 billion) sale of Bond's Australian brewing assets to its 58 percent-owned associate, Bell Resources Ltd., is due to be completed on July 31, when shareholders will be asked to approve the sale.

Mr. Lucas said that he and other Bond Corp. directors had suggested that Alan Bond resign as chairman and limit his voting rights to try to placate creditors.

"I know it's been on his mind for some time," Mr. Lucas said. A replacement for Mr. Bond has not yet been found.

At Thursday's meeting, Mr. Bond also said that he would reduce the voting stake of his personal company, Dallhold Investments Pty., in Bond Corp to 25 percent from the current 58 percent.

French State Firms Hit Takeover Trail

By Jonathan Fuerbringer
New York Times Service

NEW YORK — State-controlled French companies are breaking the mold. Rather than tending to their home market, they are aggressively buying abroad, both in Europe and the United States.

Some, like Renault, are positioning themselves for the economic union of Europe after 1992; others, like Rhône-Poulenc SA, are pursuing the grander goal of a top ranking in their industry, worldwide.

But the buying spree is taking its toll. Shares of some of the companies, which are partially publicly owned, are lagging far behind what is in any case a mediocre performance by the Paris Bourse.

Some analysts suggest it is risky for investors to buy the stocks because the state-controlled firms show little concern for their public shareholders.

'A lot of these companies are not being run for the shareholders. They are being run to secure a strategic position for France.'
A French analyst

"A lot of these companies are not being run for the shareholders," said one analyst in a French company, speaking only with assurances of anonymity. "They are being run to secure a strategic position for France. So it is quite dangerous for shareholders to be in companies like this."

In addition, the British, who have the most open market in Europe, are getting annoyed as more and more of their companies are picked off by France's state-controlled ones.

And the EC Commission, whose competition commissioner, Sir Leon Brittan, is working on proposals to curb unfair competition by state-controlled companies after 1992, might also take notice — especially of companies dramatically underperforming the market.

More than 80 deals have been completed during the French buying spree in the last year and a half, according to data gathered by Translink's European Deal Review and by the accounting firm KPMG Peat Marwick.

The total value of the deals, where prices were reported, is around $6 billion.

More important, the French, according to Mark Dixon of Translink, have outgunned state-controlled companies in other countries.

Last year, purchases by state-controlled companies equaled 28 percent of total French acquisitions — no other country's state companies reached 5 percent.

Among the deals: Rhône-Poulenc, a chemical and pharmaceutical company, bought Rorer Group Inc., the American drug company, and RTZ Chemicals Ltd., the British specialty chemicals firm.

Thomson-CSF, the defense contractor, bought Ferranti Thomson Sonar Systems Ltd. of Britain. Renault joined in a cross-ownership deal with Sweden's Volvo AB.

Pechiney International, which bought American National Can in 1988, purchased Celegraf in Spain, a food-packaging company.

In the last 12 months, Rhône-Poulenc has underperformed the French market, as measured by the CAC general index, by 25 percent; Thomson CSF, by 57 percent; and Pechiney International, by 36 percent. (Renault does not have a significant amount of stock trading.)

Rhône-Poulenc's performance is most directly attributable to its aggressive acquisitions, although it was also hurt by the economic freeze in Brazil and the weak dollar, which reduces foreign earnings.

"It's been overly aggressive acquisitions, purely," said Michael Diehl, an analyst at Kleinwort Benson Securities in London. "It's been a little bit of disregard for the shareholders and the market doesn't appreciate it."

But while the short-term prospects of Rhône-Poulenc and the others might not be that good, some analysts feel that the buying spree has better positioned them for the long run.

Pascal Viornery, managing director of Bertrand Michel Securities Inc., argues that Pechiney, for example, has successfully made itself over from an aluminum company to a packaging firm, and the market has yet to catch on.

GATT Seeks to Break Deadlock on Farm Trade

Reuters

GENEVA — Disputes over farm-trade reform, curbs on textile exports, commercial piracy and new rules for service industries confront delegates at international trade negotiations that resume in Geneva on Monday.

As a week of Uruguay Round trade talks begin, the European Community remains at odds with the United States and other agricultural exporters on reforming farm trade and slashing government subsidies to farmers.

Third World textile producers, meanwhile, are fiercely opposed to a draft agreement to phasing out restrictions on their exports. They said it includes disguised EC moves to perpetuate the curbs.

The United States and its main trading partners are deadlocked over attempts by Washington to exclude aviation, shipping and finance from a proposed pact to liberalize service industries which do worldwide business worth $600 billion a year.

Washington wants a separate agreement on financial services, such as banking and insurance, outside the four-year-old Uruguay Round of trade bargaining involving 105 nations under the General Agreement on Tariffs and Trade.

Among other disputes facing negotiators in Geneva this week, developing countries oppose moves by industrialized states for stronger protection of patents, trademarks and other intellectual-property rights.

Washington is in dispute with other industrialized nations over issues concerning copyrights and industrial design, and with the Community on geographical "appellations of origin" for wines.

Negotiators will try to set a timetable and present draft outlines of proposed agreements on international trading patterns in 15 sectors to go before a December meeting of trade ministers in Brussels.

Targets include an average 30 percent cut in tariff import duties on traditional merchandise trade, opening up markets for Third World exports such as fruit, spices and timber, and updating GATT rules, which govern 90 percent of world trade.

A GATT spokesman said a steering body called the Trade Negotiations Committee was expected to meet in closed session on Monday and Tuesday before the GATT director-general Arthur Dunkel holds private talks with key delegations to narrow differences.

Delegates said concessions from the United States and the European Community were needed to resolve the dispute over an agricultural-trade reform agreement.

S&L Costs Loom Darkly Above U.S. Budget Talks

By Steven Mufson
Washington Post Service

WASHINGTON — Pushed to one side of the talks aimed at reducing the federal deficit is the nettlesome question of how to account for the savings and loan cleanup in the budget.

So far, members of Congress and the White House officials at the center of budget talks have focused on taxes and benefit programs, but the handling of the cost of the S&L mess looms large over the negotiations.

The problem cannot be avoided entirely. Resolution Trust Corp., the agency charged with cleaning up the savings and loan industry, will run out of money early in the next fiscal year, which starts Oct. 1. And the administration says it will need about $62.3 billion to carry on next year.

The mid-session review last week by the Office of Management and Budget underscored the immense importance of how to account for the savings and loan cleanup — and the reluctance of the government to back a particular method for fear of being accused of sweeping the problem under the rug.

"If you look at it in this budget, we've done it both ways," said Richard G. Darman, director of the Office of Management and Budget. "For those who like it one way, they can count it one way. For those who like it the other way, they can count it the other way. There is no escaping; whichever way you count it, you have a big problem."

This is no ordinary accounting issue. How Congress and the administration settle it has enormous consequences because the Gramm-Rudman-Hollings deficit-reduction law mandates automatic spending cuts if the deficit exceeds certain targets.

If the budget talks broke down and led to automatic cuts, the savings and loan accounting issue could be big enough to swallow entire government departments, scores of programs, hundreds of thousands of employees and millions of recipients of government assistance.

"Even without the S&Ls, it's a $100 billion sequester," said Mr. Darman, using the term for the automatic spending cuts that Gramm-Rudman-Hollings mandates. "With it, it's more than $150 billion."

"The numbers are so big, there is an air of unreality about it all," said Carol Cox of the Committee for a Responsible Budget.

The last time Congress and the administration wrestled over the problem of how to pay for the savings and loan cleanup, they reached an awkward compromise. Congress made available $50 billion for the cleanup, but it put $20 billion on budget and financed $30 billion off budget by creating a quasi-governmental agency to borrow funds in the credit markets.

The cleanup 'is happening and it is real money. Having it off budget is pretending it's not happening.'
Alice Rivlin, Brookings Institution.

The off-budget borrowings have turned out to be more expensive than normal government borrowing and thus increased the cost of the thrift cleanup.

Some budget analysts have advocated leaving Resolution Trust Corp.'s working capital off the budget, because the agency should get that money back when it sells assets seized from insolvent thrifts. Those analysts would only count Resolution Trust losses and the interest costs paid on the working capital. But that would make treatment of the agency different from other programs, such as certain farm and student programs, which are similar but are counted on budget.

Putting the full amount of the cleanup in the budget, however, throws the entire budget out of whack. It makes the budget deficit appear much bigger in fiscal years 1991 and 1992, but if RTC eventually manages to sell substantial amounts of the thrift assets it seizes, it could reap cash revenue that could reduce the size of the deficit by $41.5 billion in 1994.

"This is one of the perversities of the S&L issue," Mr. Darman said. "Some people think it should be taken off because it would reduce the deficit artificially. Some think it should be taken off because they say it would increase the deficit artificially."

It is unlikely that the government would back additional off-budget borrowing to meet S&L costs. "That is what we technical experts call a sham," said one administration budget writer, "and the administration is not going to propose another sham."

Mr. Darman himself, however, has been reluctant to propose anything at all, saying that the Bush administration is not regarded as neutral, and fearing that any administration proposals would be attacked by Congress.

Alice Rivlin, a senior fellow at the Brookings Institution and former head of the Congressional Budget Office, said the savings and loan cleanup "is happening and it is real money. Having it off budget is pretending it's not happening." Mrs. Rivlin added that she would include it in the budget, but adjust the Gramm-Rudman-Hollings deficit targets so that the thrift cleanup would not be a factor.

"It doesn't have the same effect as borrowing for other purposes," she said.

The budget office has forecast the the deficit for the 1991 fiscal year, which starts Oct. 1, will total $168.8 billion. With S&L costs included, the deficit is projected at $231.4 billion.

EC Split On Pace Of Union

Some Now Favor Longer Transition

Reuters

BRUSSELS — The European Community is divided over how long the transition should be from the current system of 12 currencies to a common monetary policy, according to a new report to be presented on Monday.

The report of the EC monetary committee — the most ambitious effort yet to tackle the problem of the transition period for economic and monetary union of the 12 nations — will be the main topic of the last EC finance ministers' meeting before the summer break.

The report, written by senior central bank and finance ministry officials from the EC member states, clearly shows the split between some who want a quick transition, or second stage to union, and others who believe it should be much longer.

"On this could hinge the success of the future system," said one official involved with the report.

The report does not name the countries in each camp.

But according to officials, it says that on one side are those who believe the first phase of monetary union, which began on July 1, should stretch for several years to give member states time to narrow their economic differences, particularly inflation rates.

Under this option, markers set out along the way would make sure that economic conditions are converging among the 12. When these are met, the Community would move on to a second phase of setting up a common central bank.

This phase would be short, followed by a final stage when members take the major step of handing over monetary policy to the new bank, the officials said.

Until recently, this seemed to be the prevailing view among EC members other than Britain.

In its first report in March, the monetary committee said some members thought the second phase could be dispensed with altogether.

But since then, many EC politicians have argued that a longer second phase would be needed at least to start a common central bank and give Europeans time to get used to the idea of a single currency.

This group believes there should be a short phase one followed by a long transition.

The dispute on the transition may hearten those skeptics in Britain who say not enough thought has been given to ways of moving from the current system of 12 currencies to the goal of a common policy and possibly a single currency.

The British chancellor of the Exchequer, John Major, is expected to tell Monday's meeting that finance ministers should take a serious look at London's alternative proposal for reaching monetary union.

The plan calls for the European currency unit, now a cocktail of the 12 EC currencies, to become a hard currency in its own right. A new institution, the European Monetary Fund, would be set up to manage the "hard ECU".

In addition to monetary union, the finance ministers will discuss three tough EC tax problems: A proposed new system for collecting value-added tax after 1992, excise tax rates and travelers' allowances of duty-free goods. But they are expected to put off the hard decisions until after the summer break.

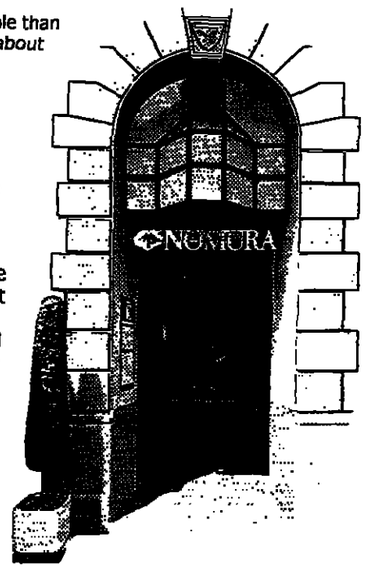
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NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, July 20.

	Div	Yld	Sales in 100s	High	Low	Close	Net Ch'ge
A							
A&W Bd			5229	34	32¾	32¾	
ABS	.32	3.9	166	8½	8	8¼	+ ¼
ACC Cp	.16	1.4	704	13⅛	11¾	11¾	−1¼
ADC			1703	22	19½	19¾	−1⅜
ADT	†		5073	31¼	31⅛	31⅛	
AEL			248	5¼	5	5⅛	+ ⅛
AEP s			81	14¾	14	14¾	+ ½
ASK			1350	10¼	9	9¼	− ¾
AST			22500	26	21⅞	22	−3⅛
AcrnRt	.10	1.0	25	10¼	9¾	10¼	+ ¼
AbingB	.08I		143	4½	3½	3½	−1
AbeLinc			21	6¾	6½	6½	− ⅜
Abram	.20	4.4	12	4½	4½	4½	+ ¼
Acadin			3430	1	1	1	+ ⅛
Accel	.20b	2.8	279	7⅛	7	7⅛	− ⅛
Acelms			8954	13⅛	11	11	−1⅝
Aceto	.14b	1.2	58	12½	11½	11½	−1½
ACMT			2	13¼	12	12	
Acmt a			1	10	10	10	
AcmeSt			609	17¼	16¼	16¼	−1
ActARt			2335	5¼	4½	5	
ActnSv	.16I		74	2¼	2	2	
vlActAut			650	¾	⅝	⅝	+ ⅛
Acxiom			198	20½	19½	20¼	+ ¼
AdacLb	.04I		4288	1⅞	1¼	1⅝	+ ⅜
Adage			814	1⅞	¾	⅞	− ⅛
Adapt			11066	23⅛	19⅜	20⅛	−2⅛
Adingt s			1961	20¼	18¾	19¾	
AdiaSv	.16	.8	223	21	20½	21	
AdobeS	.24	.7	20304	38¼	35¼	36	−2⅛
Adtec			166	3¼	3⅛	3⅛	− ⅛
AdvClr s			2756	10¼	9¼	10½	
AdvRos			289	9¾	9¼	9¾	+ ½
AdvMag			131	13⅛	13¼	13¾	− ⅛
AdMkSv			465	5½	5¼	5¼	− ⅛
AdvPoly			3275	6¼	5¼	5⅝	− ⅜
AdvSem			45	5	4⅜	4⅝	− ⅜
AdvTel			4772	22¼	18¾	18¾	−3
Advanta	.10	.9	1394	12	11¾	11¾	− ½
AdvoSy			4076	12⅛	11⅛	12⅛	+ ⅜
AeglsG	.20e	2.1	80	9¾	9⅜	9⅝	+1⅛
Aequitrn			427	2⅜	2½	2⅞	+ ⅛
Aegon	2.46e	3.4	58	72	71¼	72	+ ¼
AerSysl			913	1⅝			
Aerovx			767	4⅛	4	4	− ⅛
AffBcCo	.16I		589	2⅝	2⅜	2½	− ⅛
AfflBsh			1902	13¼	12⅝	13¼	+ ⅝
AgncyR	.68I	4.8	4013	15	13¾	14¼	− ⅛
Agnico g	.20	2.8	1580	7⅜	7	7¼	
Agourn			263	9	8½	9	+ ⅜
Alcorp			4710	13⅛	11½	11¾	−1¼
AirMd			587	5⅜	5⅝	5⅝	− ⅛
AirWisc			1876	10¼	9⅝	9⅞	− ⅛
Airind			12	1	1	1	+ ⅛
Airtran	.16	2.6	273	6⅞	6	6⅛	− ⅛
Akorn	.07	4.2	366	1⅞	1⅝	1⅝	+ ⅛
Akzo	1.79e	5.6	2500	33¼	31⅞	32⅛	−1½
Alaten	1.10	9.0	196	13⅛	12¼	12¼	+ ⅛
Aldus			7997	29¼	24⅜	25	−2⅜
AlexBr	.22	1.5	4813	15¼	14⅜	14¾	+ ¼
AlexBld	.88	3.1	4725	29¼	26½	28	−1
AlfaCp	.40	4.2	98	10	9½	9½	
AllasR			35438	17	15	15¾	
Allco	.20	.7	71	28½	28¼	28¼	− ½
AllAm s			96	1⅝	1½	1½	− ⅛
AllCity			31	5⅝	5⅝	5⅝	
AlegW			504	8⅝	7¾	7¾	−1⅝
AlnOrg	.40a	1.2	182	36	32	34⅛	− ⅞
AllonPh			1138	11¾	10¼	10¾	− ⅜
Allianf			6493	5⅞	4⅝	4⅝	− ⅞
AlldBk	.30	4.3	2142	x7¼	7	7	
AlldCap	1.23e	6.6	344	19¼	18½	18¾	− ¼
AldCol1	.46e	3.9	1158	18	17	17	− ¾
AlldGp	.48	3.6	45	13⅝	13¼	13¼	− ⅛
AlldRsh			54	1⅞	1½	1½	− ⅛
AloyCpt			539	⅝	½	⅝	− ⅛
AllstFn			142	9	8⅝	8⅝	− ⅜
Allwat s			11689	12⅛	11¾	11⅝	− ⅜
Aloette	.32	1.5	247	22¼	21¼	21½	− ¾
Alpharl			729	½		⅞	+ ⅛
AlpMic			94	2⅞	2⅜	2⅝	+ ⅛
AltaGld	.06e	2.0	2060	3⅝	3	3	− ⅜
Altera			4848	14¼	12⅞	13⅛	− ⅜
Altos			3451	8¼	8¼	8¼	
Altran			544	5⅝	5⅝	5⅝	+ ⅜
AmcorF	.50	3.4	695	14⅜	14¼	14¼	
Amrian	.48	4.7	14	10¾	10¼	10¼	− ½
Amerbc	.11r	2.2	322	5½	5	5	+ ⅛
AFFMI2	1.03e	13.7	1148	7⅝	7½	7½	− ⅛
AFFF	1.50	8.1	321	18¾	18	18½	− ⅛
AmFPr	1.30	11.8	489	11¼	11	11	
AFTxE	1.00	11.4	546	8¾	8⅝	8¾	+ ⅛
AFTxE2	1.28	15.1	158	8⅝	7⅝	8½	+ ⅛
AWAirl			2996	9⅝	8⅝	8⅞	
AmBcp	1.15e	5.8	162	20¼	18	20	
ABnkr	.50	6.0	493	8⅝	8⅜	8⅜	− ⅛
AmCaR			4980	14¼	12½	12¾	−1
AmCity			183	18⅞	18	18⅛	− ⅛
AColoid	.44	4.1	106	10¾	9½	10¾	− ⅛
AConsu			4	6⅛	6⅛	6⅛	
AmEcol			7132	12	5	11¾	+6¼
AFSvDu			153	4⅛	4	4⅛	− ⅛
AFilm s			3582	12¼	11½	12½	+ ⅞
AmFl wt			256	8⅜	7½	8⅛	+ ⅞
AFltrm	.90	3.8	21	24⅛	24	24	−1
AGreet	.66	1.9	5383	36¼	35	35⅛	− ¾
AHltSv			1514	1⅝	1⅜	1⅜	
AIndF	.98	1.6	35	5¼	4½	5	+ ¼
AmIntg			1576	6⅜	5⅝	6	− ¼
AmLck	2.00e	66.7	31	3	3	3	−1½
AMS			2780	19¾	18⅝	18⅝	− ⅜
AMedE			4666	13¼	12	13	+ ¾
ANtIns	1.60	4.5	214	36¾	35½	35⅞	−1¼
ANuclC			143	1⅞	⅞	1⅜	+ ⅜
AmNurs			205	2⅞	2⅜	2⅜	
AmPac			1786	14¾	12⅞	13	−1½
APhyG			45	1⅝	1½	1⅝	+ ⅛
APwCv			27744	43	37⅞	37¾	−4⅞
ARelian	.44	4.5	199	10½	9¾	9¾	− ¾
ARepBc	.10e	1.2	133	8⅝	8	8½	+ ⅛
AmRice			223	⅝		⅝	
ASoft	.32	1.4	2023	25⅜	22⅜	23⅜	−1⅜
AmStt			521	3⅝	3	3⅛	− ⅛
ATvCm			4038	36½	34½	35½	− ½
ATrav s			15938	18⅝	17	17⅞	+ ⅜
AVang	.05e	.7	29	8⅛	6⅞	7	− ¾
AWood			20	5	5	5⅜	− ⅜
AmAll	.27e	6.1	1101	4½	4⅛	4⅜	+ ⅜
AmFIBk			16670	1⅜	1¼	1¼	
Ameritr	1.28	7.8	4542	18	16½	16½	−1⅛
Amgen			14572	85½	81	84¾	+2¼
Amistar			40	1⅜	1⅛	1⅛	
AmtyBc	.30b	3.9	70	5¼	5	5⅛	− ⅛
AmskBk			1157	2⅝	2⅛	2⅛	− ⅛
Amoska	.60a	3.6	9	20	16½	16½	−3½
Amserv			528	5¼	4½	5	− ¼
AmtcCp			951	19	18⅝	18⅞	− ⅛
Amvest	.20	6.7	3352	x3⅛	2⅞	3	− ⅛
Anlogic			2154	9½	9	9½	
AnalyTc	.17	1.7	78	10½	10	10	
Analy s	.48	2.3	964	23½	20½	20½	−2½
Anangel	1.10e	9.5	364	12¼	11⅛	11⅜	− ½
Anaren			155	2⅝	2½	2½	
AnchSv			973	1⅜	1⅛	1⅛	− ⅛
AndrGr			243	9½	8½	9	+1½
AndvBc	.80	12.1	261	6⅞	6½	6⅝	+ ⅛
AndvTg			924	3	2¾	2¾	− ⅛
Andrew			3839	22	21¼	22	
Andros			1752	13	10	10¼	−2
Apertus			2635	1⅞	1½	1⅝	− ⅛
ApogEn	.24	1.3	1054	20	18¼	18⅛	+ ½
AppleC	.44	1.1	122540	47¼	40	41	−5⅜
Applebe			1323	20¼	19½	19½	− ¼
ABiosci			480	36½	35¼	35½	− ½
ApldBio			3010	14⅛	12⅞	12⅞	−1¼
ApldMt			10681	39¾	35¼	35¼	−3¾
ApldPw	.12	.5	1801	23	22⅛	22⅛	− ⅜
ApldSir			229	6⅛	6¼	6¼	
ArabSh			448	2½	2	2⅛	− ⅛
Archive			3235	10½	9⅝	10⅛	− ⅛
Arbor	.16	.8	762	20¼	19¼	19¼	
Arctco			2037	11⅞	10⅛	10⅞	+ ½
Arden			3	60½	56	56	−4¼
ArgoGp	1.60	2.1	132	77¾	77	77	
Aritch			252	11	10¼	11	+ ⅜
ARIX			1521	2⅝	2⅛	2⅛	+ ⅛
Arizinst			482	6¼	5⅝	5⅝	+ ⅛
ArkoFT			164	22½	21¼	22½	+ ¼
Armor	.64	4.6	1576	15¼	13	14	− ¾
Arnold	1.00	2.6	332	38	34½	38	+ ⅜
ArowFn	.68	5.1	123	13¾	12⅝	13¼	+ ¼
Artel			972	4⅞	3⅞	4⅛	− ½
ArtistG	.10e	1.9	372	5⅝	5	5¼	+ ⅛
ArtWay	.40	4.7	23	8½	8	8½	
Ashton			22766	12	8⅛	9⅞	−1⅜
Aslamr	†		1561	4⅛	3⅞	4⅛	+ ⅛
AspctTl			4619	23⅞	21	21½	−1½
AspenR			217	2¼	2	2⅛	− ⅛
Assix			1114	7½	6⅞	6¾	− ⅜
AsdBnc	.72	3.6	277	20⅝	20	20⅛	+ ⅛
AsdCmA			473	32	30½	31	− ¾
AsdCmB			433	30½	29½	29½	−1½
Astec			374	7	6¼	7	+ ⅛
AstrM s			17	9¼	8½	8½	
Astron			138	1⅝	1⅛	1⅜	+
Astrosy			159	3⅝	3¼	3¼	− ⅛
Atek			28	4¼	4	4	+ ⅛
Athey	.10e	1.2	367	8⅝	8	8¼	− ⅛
AtlcoF	.20	2.2	18	9	9	9	+ ¼
Atkinsn	.48	3.1	1593	16½	14¼	15½	+ ⅜
Atlntd	.40b	3.8	9	10½	10¼	10½	+ ⅜
AtlAm			218	2⅛	1⅞	2⅛	
AtlSeAr	.50	2.8	1203	19¼	17⅜	17¾	−1½
Atwood	.82e	1.8	759	47	45⅛	45¼	−1⅜
AtwdOc			964	20	19¼	19½	
AutTrT			10	3⅝	3¼	3⅜	− ⅛
Autoclv	.24	2.1	1185	11⅜	10¼	11½	+ ⅛
Autodk	1.00e	3.4	13463	60¼	53	53¼	−5⅛
Autodie			348	6	4	4	−1⅛
Autoinf			2087	6	5⅜	5½	− ⅛
AutoCp			120	13	11¼	12	− ⅞
Avntek			3812	3¼	3	3	− ⅛
Avatar			974	23	22½	22¾	− ⅜
Avndle	.92	9.4	174	9⅞	9¾	9¾	
Aztar			29725	5⅛	4⅞	5⅛	
AztcM	.10b	1.9	270	5⅜	5⅛	5⅜	− ½
B							
BB&T s	.80	4.4	1108	19¾	18	18	− ¾
BH Bulk	1.51e	37.8	1206	4¼	4	4	
BEI El	.08e	1.1	220	7¼	7	7	− ¼
BEI			76	2⅞	2⅝	2⅝	− ⅛
BF Ent			51	5	4⅝	5	− ⅛
BFS NY			1	8⅝	8	8	− ⅛
BGS	.40a	1.7	291	24½	22¾	23½	+ ¾
BHA			1792	24⅞	22	22	− ⅝
BHA B			407	23½	22	22	−1½
BKLA			33	6⅝	6½	6⅝	− ⅛
BMA	1.20	4.0	224	30¾	30	30¼	− ⅛
BMC Sf s			3804	28	25	26	−1
BMJ	.60	5.5	22	11½	11	11	
BMR Fn			23	6⅝	6½	6½	
BNH	.24	5.1	80	4⅞	4⅝	4⅝	
BSB Bcp	.60	4.3	228	14½	13½	13¾	− ⅝
BT Fin	.80	5.2	21	15½	14⅞	15⅛	− ⅛
BT Shp			177	10⅞	10	10	
BTR	.08	1.5	227	5¼	5	5¼	− ¼
BTU Int			251	3⅞	3⅝	3¾	
Babage			292	9⅞	9½	9½	
Badger	.48a	2.9	57	17⅜	16¾	16¾	−1⅛
Bailey			1	¾	¾	¾	− ⅛
BkHo wt			1784	7⅞	6⅞	7¼	
BakerJ	.04	.5	6032	11⅞	9⅝	11¼	+1⅝
Balchm	.03	.6	60	5⅛	5	5	+ ⅛
BaldLy	.30	1.3	2568	24⅛	22⅛	24	+1½
BldLyB	.30	1.4	496	21⅞	21¼	21½	+ ¼
BaldPia			1032	9⅞	9	9⅝	− ⅜
Ballard	.10	.4	2372	29¼	25¾	28⅝	− ⅝
Baltek	.15	1.8	65	8¼	8	8¼	+ ¼
BncPop	.80	4.1	397	19½	19	19⅜	+ ⅛
BcpHw s	1.64	3.2	2238	52¼	51	51¼	+ ¼
BcMiss	.84	4.5	51	19⅜	18½	18½	+ ⅛
BcpNJ	.40	4.4	272	9⅞	9	9	
Banctec			1868	22⅝	19¼	19⅞	−2
BandoM	.88	10.7	193	8⅝	8¼	8¼	− ¼
BangH	1.34	8.3	630	15¼	14⅞	14⅞	
BankAtl			9	4	3⅞	3⅞	− ⅛
BkGrn s	.40	1.8	12	22	22	22	+ ½
BnkNH	.92	10.2	207	9½	9	9	− ¼
BkSou	.52	5.9	3201	9¼	8½	8⅝	− ⅛
Bnkest			685	1⅝	1½	1½	− ⅛
Bankrs	.11e	.8	1071	13	11¾	13	+1⅛
BnkFst	.28	4.3	1289	7	6½	6½	− ⅜
BkrNte			158	1⅜	1¼	1½	− ⅛
Bkmth	1.08	8.8	119	13	12¼	12¼	− ⅛
Bklowa	1.00	1.4	96	71½	67⅜	70	+1½
BkMAm			171	9⅞	8½	8½	−1
BkWorc	.25I		1651	14½	13⅝	14¼	+ ¼
BanPnc	1.60	3.4	90	46½	45	45	−2½
Banta	.56	2.2	4704	25½	24	25⅛	+1⅛
Barden	1.00	2.9	146	34½	31	34½	+2
BaretRs			93	7⅛	7⅛	7⅛	− ⅛
BaryJw			37	6⅝	6⅛	6⅛	+ ⅛
Barton			5152	6⅝	5½	5⅝	− ⅜
BsTnA			196	2⅝	2⅜	2⅝	− ⅛
BasAm			1326	11⅜	10⅛	10⅛	− ⅝
BasPtr s			32	14	13¼	13¼	− ⅛
BsetF	1.00a	3.0	520	35	33½	33½	− ⅝
BayVw	.45e	2.5	12487	18	16¼	17¼	+ ¼
BayBks	1.80	11.6	9055	16½	14⅝	15½	− ¼
Bayprt			367	¼	⅛	¼	+
BEAvion			3206	10⅝	9⅞	10⅛	− ⅛
BeauCtl	.28	1.5	391	20	18⅝	18⅞	−1⅛
BeautL			313	1⅛	1	1	− ⅛
Beebas	.24	3.5	182	7⅛	6⅜	6⅞	− ⅛
BelFuse			412	3⅜	3⅛	3⅜	
BellW s			61	3¼	3	3	− ⅛
BellSv			130	1⅞	1½	1½	+ ⅛
Belmrl			123	⅛	⅛	⅛	− ⅛
BenJer			1927	21	19	19	−1
Benhan			66	2	1⅞	1⅞	− ⅛
Berkley	.44	1.0	986	43¼	42	42¾	+ ⅝
BerkGs	1.28	8.8	80	15¼	13⅞	14⅝	− ⅛
BethlBc	.32	2.3	89	14½	13⅝	13⅝	
BetzLb	1.88	2.5	2825	x78½	74½	75¼	−2⅛
Big B	.16	1.5	586	10⅝	9⅝	10⅛	+ ½
BigOTr			716	1⅞	1	1	
Bindly			302	14	13½	13⅝	
BingKg			258	4	3½	3⅞	− ⅛
Bloan wt			106	13	11	11	−1¼

(Continued on next left-hand page)

New International Bond Issues

Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
Floating Rate Notes						
Credito Italiano (Grand Cayman)	$100	2000	0.40	100	—	Over 6-month Libor. Callable at par in 1995. Fees 0.20%. Denominations $10,000. (Sumitomo Finance Int'l.)
Kyushu Leasing Service	$75	1997	0.20	100	—	Over 6-month Libor. Noncallable. Fees 0.30%. (Nikko Securities Europe.)
Crédit Lyonnais (London)	£60	1995	0.30	100	—	Below 3-month Libor. Noncallable private placement. (Crédit Lyonnais Euro-Securities.)
Fixed-Coupons						
Chrysler Auto Receivables Company	$650	1996	9¼	101.295	99.83	Callable at par in 1995. If call is not exercised, coupon in the last year will be ½ over Libor. Fees 1⅞%. (Swiss Bank Corp.)
Ford Capital	$250	2000	9½	100.96	—	Noncallable. Fees 2%. (Goldman Sachs Int'l.)
General Electric Capital	$250	1993	8⅝	101.10	99.63	Noncallable. Fees 1⅜%. (Bankers Trust Int'l.)
SBC Finance (Cayman Islands)	$150	1993	9	101.97	—	Noncallable. Fees 1⅜%. (Swiss Bank Corp.)
Turkey	$150	1995	10⅜	101.20	99.33	Noncallable. Fees 1⅞%. (Daiwa Europe.)
Ceskoslovenska Obchodni Banka	DM 350	1995	10	100¾	—	Noncallable. Fees 2%. Increased from 250 million marks. (Commerzbank.)
Council of Europe	DM 200	2000	9½	100	—	Interest will be 9½% in the first 2 years, then 16% minus 6-month Libor. Noncallable. Fees 0.20%. (Trinkaus & Burkhardt.)
Caisse Nationale des Télécommunications	FF 1,000	2000	10	102	100.05	Noncallable. Fees 2%. (Crédit Commercial de France.)
Compagnie Bancaire	FF 400	1992	10¼	101.025	99.90	Noncallable. Fees 1⅛%. (Crédit Commercial de France.)
Eurofima	FF 1,000	2000	9⅞	101¼	99.38	Noncallable. Fees 1⅞%. (Banque Paribas Capital Markets.)
Interfinance Crédit National	FF 500	1993	10¼	101.45	—	Noncallable. Fees 1⅜%. (Banque Paribas Capital Markets.)
Société Nationale des Chemins de Fer Français	FF 750	1997	9¼	98.55	96.65	Noncallable. Fees 1⅞%. (Crédit Commercial de France.)
Banque Paribas	ITL 130,000	1994	12⅝	101⅜	99.75	Noncallable. Fees 1⅝%. (Banca Nazionale del Lavoro.)
Denmark	PTA 10,000	1995	13¾	101¾	—	Noncallable. Fees 1⅝%. (Banco Español de Credito.)
Société Nationale des Chemins de Fer Français	ECU 125	1999	9	97.025	95.23	Noncallable. Fees 2%. (BNP Capital Markets.)
Deutsche Bank Finance (Curacao)	C$ 50	1995	11½	100.20	—	Noncallable. Fees 1⅞%. (Deutsche Bank Capital Markets.)
Swedish Export Credit	C$ 100	1992	12¾	101¾	100.63	Noncallable. Fees 1⅛%. (Bankers Trust Int'l.)
DSM	Aus$ 75	1994	14¾	102	100.25	Noncallable. Fees 1⅝%. (Bankers Trust Int'l.)
GECC Canada	Aus$ 100	1995	14¼	101¾	99.75	Noncallable. Fees 2%. (Merrill Lynch Int'l.)
New South Wales Treasury	Aus$ 300	2005	zero	15.65	—	Yield 13.17%. Noncallable. Proceeds Aus$46.5 million. Fees 0.90%. (Merrill Lynch Int'l.)
New South Wales Treasury	Aus$ 500	2010	zero	8 11/16	—	Noncallable. Proceeds Aus$43 million. Fees 0.90%. (Merrill Lynch Int'l.)
Telecom of New Zealand Overseas Finance	NZ$ 50	1993	13½	101.80	100.43	Noncallable. Fees 1½%. (Kredietbank.)
Compagnie Bancaire	Y 10,000	1993	7.40	101⅜	—	Noncallable. Fees 1⅝%. Denominations 10 million yen. (Mitsubishi Finance Int'l.)
Great Belt	Y 15,000	1995	7.20	101.85	—	Noncallable. Fees 1⅞%. Denominations 100 million yen. (LTCB Int'l.)
Equity-Linked						
Furukawa Electric	$300	1994	4¾	100	107.50	Noncallable. Each $10,000 note with two warrants exercisable into company's shares at 896 yen per share and at 149.35 yen per dollar. Fees 2¼%. (Yamaichi Int'l Europe.)
JGC Corp.	$170	1994	4¾	100	114.25	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 3,198 yen per share and at 149.00 yen per dollar. Fees 2¼%. (Nomura Int'l.)
Kao	$300	1994	4¾	100	104.50	Noncallable. Each $10,000 note with two warrants exercisable into company's shares at 1,661 yen per share and at 149.00 yen per dollar. Fees 2¼%. $200 million to be issued in Europe and $100 million to be issued in Asia. (Yamaichi Int'l Europe and Nikko Merchant Bank.)
Kuraray	$200	1994	4¾	100	—	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 1,599 yen per share and at 149.35 yen per dollar. Fees 2¼%. (Daiwa Europe.)
Orient Corp.	$300	1994	4¾	100	102.75	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 1,456 yen per share and at 148.40 yen per dollar. Fees 2¼%. (Nomura Int'l.)
RPM	$50	2005	6¾	100	98.75	Callable at 101 in 1995. Convertible at $25½ per share, a 15⅛% premium. Fees 2½%. (Paine Webber Int'l.)
Seiyu	$250	1994	4¾	100	108.75	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set July 24. (Nomura Int'l.)
Sumitomo Metal Industries	$320	1994	4¾	100	103.50	Noncallable. Each $10,000 note with 2 warrants exercisable into company's shares at 580 yen per share and at 149.00 yen per dollar. Fees 2¼%. (Nikko Securities Europe.)
Inabata & Co.	DM 110	1994	4⅝	100	—	Noncallable. Each 5,000-mark note with five warrants exercisable into company's shares at an expected 2½% premium. Fees 2¼%. Terms to be set July 24. (Nomura Bank Deutschland.)
Ladbroke Group Finance Jersey	£83	2005	9	100	99.75	Semiannually. Callable at par in 1995. Convertible after June 1995 at £3.79 per share, a 14.85% premium. Fees 2½%. (Credit Suisse First Boston.)

Fed Policy Confusion Hurts Bond Prices

Compiled by Our Staff From Dispatches

NEW YORK — U.S. Treasury bond prices slumped last week and analysts say prices are likely to remain under pressure until the outlook for Federal Reserve Board credit policies becomes clearer.

The bellwether U.S. Treasury issue, the 8.75 percent bond that matures in 2020, closed Friday at 102 11/32 to yield 8.53 percent, down in price from 103 6/32 to yield 8.46 percent a week ago.

Dealers said that following the Fed's move to cut interest rates modestly on July 13, the market has become increasing confused as to the central bank's intentions. The congressional testimony by the Fed chairman Alan Greenspan last week only deepened the confusion, analysts said.

"The lack of emphasis on the rise in inflation so far this year, and the less-than-convincing explanation as to why the Fed eased, left many investors unsure about what is driving monetary policy," economists at Merrill Lynch Capital Markets said in a report released Friday.

The Fed's game plan for months had been to slow the economy to a crawl and ultimately squeeze inflation out of the system. That has apparently been revamped, economists said.

U.S. CREDIT MARKETS

"The Fed's priorities have shifted away from lowering inflation to avoiding recession," said Richard Berner, an economist at Salomon Brothers Inc.

Mr. Greenspan left most observers with the impression that another easing of credit was in store in the near future.

The federal funds rate, the U.S. interest rate most directly affected by changes in monetary policy, dipped to 7 15/16 percent Friday after the Fed injected $2.5 billion of temporary reserves into the banking system.

The move was immediately interpreted by some analysts as a further sign that the U.S. central bank wants rates to go lower.

"There were many on the Street who considered that the Fed's action was a bit aggressive and that it might signal a new funds target below 8 percent," said William V. Sullivan Jr., senior vice president at Dean Witter Reynolds. "After all, there was no pressure on interbank overnight loan rates today."

Analysts said that bond prices are also being pressured by the record $135 billion in Treasury new bills, notes and bonds that has been listed for auction during the next four weeks.

As has been the case recently, much of the new money raised by the Treasury will be used to cover the mounting losses of the U.S. savings and loan industry.

"The market has yet to fully absorb the significance of the flood of Treasury paper, including the quarterly refunding, that has been placed on the auction calendar," Mr. Sullivan said.

"The market's reaction thus far has been to keep prices of the longer maturities from rising," he said.

Among shorter maturities, the discount rate on 90-day bills eased to 7.52 percent from 7.60 a week earlier, while six-month bills dropped to 7.42 percent from 7.50 percent the previous week.

Economic indicators likely to affect the market this week include the release Monday of the federal budget deficit for June.

On Tuesday, the government will release its Employment Cost Index for June. Analysts expect the index to show a modest rise reflecting the April increase in minimum wages. The index is not expected to have a major market impact.

The major focus of the week is expected to be the release of second-quarter gross national product figures on Friday. The data are expected to show growth of about 1.6 percent, comparable to the 1.9 percent first quarter and most of it coming from exports and inventories.

(NYT, Reuters)

Rate Fall Forecast in Australia

Agence France-Presse

MELBOURNE — Given the state of the Australian economy, a further 2 percentage point drop in interest rates is warranted this year, an ANZ Bank Group executive said Sunday, two days after the bank lowered its prime rate.

The ANZ chief executive Will Bailey said in a television interview that "there is the capacity for a 2 percent drop across the whole spectrum of rates, with the exception I'd say of housing."

On Friday, ANZ and National Australia Bank announced a cut in their prime rate for corporate borrowers to 18 percent. The cuts were the first since April 4, when the government announced an easing of monetary policy.

The country's biggest bank, Westpac Banking Corp., and Commonwealth Bank said they are also reviewing their rates.

Both ANZ and National Australia said the rate cuts were tied to lower money market rates.

Top 2 U.S. Banks Try to Cut Costs

By Michael Quint
New York Times Service

NEW YORK — Hurt by weak earnings, Citicorp and Chase Manhattan Corp., the first- and second-largest U.S. banking companies, are cutting costs, focusing on the most prestigious part of their businesses: handling large corporate clients.

The more austere approach at Chase was signaled last week when senior officers were told that the international advisory committee — a group of 19 of the world's most prominent business executives headed by David Rockefeller, chairman of the bank in the 1970s — would hold two meetings later this year at Chase's headquarters in New York, rather than in London and Brussels as planned.

Chase directors, in an apparent effort to set an example for the rest of the bank, agreed to shift a planned meeting later this year in Williamsburg, Virginia, to the more economical setting of Chase's headquarters near Wall Street.

Chase officials declined to comment publicly on the meeting changes. "It is true, however," said Fraser P. Seitel, a spokesman for Chase, "that we are engaged in a massive effort at Chase to do two things — boost revenue and reduce operating expenses by $300 million a year."

Bank insiders said the changes were disclosed on Thursday morning when Thomas G. Labrecque, Chase's chairman, briefed senior officers about the previous day's board meeting.

At Citicorp, cost-cutting is concentrating on the global finance group, which lends to large corporations in North America, Europe and Japan.

The bank said that it was reorganizing the group's management structure in ways that "ultimately will result in fewer people and lower costs."

While both Chase and Citicorp are still working on details of how to reorganize their corporate lending businesses, they acknowledge that many jobs will be lost. At Chase, executives estimate that more than 3,000 employees might be cut, out of its work force of 42,000.

Citicorp, with 90,000 employees, has not indicated how many jobs might be lost as it reorganizes the 15,000-employee global finance group, but analysts expect that a cut of several thousand is likely.

A large number of the layoffs is expected in New York City, where both banks are based. But both are continuing to expand their consumer banking business.

"We are witnessing truly major efforts to control costs, the like of which American banks have never seen before," said Thomas Hanley, a managing director at Salomon Brothers. While the cost-cutting "is long overdue," Mr. Hanley added, a determined management could cut costs more than might be expected.

At Chase, for example, "I expect they will ultimately achieve cost savings substantially greater than the $300 million target they have set," he said.

Manila Has No Plans To Devalue the Peso

Reuters

MANILA — The Philippines will let the market decide the value of its currency and will not formally devalue the peso, Finance Secretary Jesus Estanislao said over the weekend.

"Let the market decide the trend. Let importers and exporters, together with the banks, trade as freely as they can," Mr. Estanislao said in an interview. "The government will not intervene except to provide some degree of stability."

A study by the University of the Philippines last week recommended a sharp devaluation of the peso to trim the expanding trade deficit.

The study did not specify by how much the peso should be devalued. The central bank has already been allowing the currency to drift down in regular interbank trading. It reached a record low of 23.67 to the dollar on July 13, compared with 22.45 at the start of the year.

On Friday it traded at 23.57. The government has forecast that it will fall to 24.50 by the end of 1990, a decline of 9 percent during the year, and is likely to average 26.25 during 1991.

Mr. Estanislao said he recognizes that the government's objective of reducing interest rates could enhance the fall of the peso as investors moved funds into dollars.

But he rejected suggestions in the university study that the country faces a crisis because of ballooning current-account and government spending deficits. He said latest trends for both the current account and interest rates show a marked improvement, and the economy is headed in the right direction.

Mr. Estanislao declined to say what level of interest rates he would be happy with.

But he expressed satisfaction that Treasury bill yields fell on Friday to a weighted average of 21.8 percent from 22.1 percent a week earlier and 26 percent at the beginning of the year. Treasury bills of 91 days were down 37.6 basis points to 20.103 percent.

"I will try to influence interest rates. I will not try to influence the peso," he said.

Mr. Estanislao also said that the government plans to remove unnecessary restrictions on foreign investors and will vigorously oppose moves in Congress to impose a ceiling on debt servicing.

Mr. Estanislao said that the Philippines faces a crucial period over the next 18 months, as tax and economic changes aimed at strengthening economic growth take effect, following last December's coup attempt and last week's earthquake. He said he hoped that the devastating quake would encourage Congress and the government to work together more effectively.

He predicted that the earthquake would add to inflation and could hurt both agriculture and tourism, but said it may actually spur economic growth because of increased inflows of foreign aid and a construction boom.

Mr. Estanislao, who took over as finance secretary at the beginning of the year, said the next 18 months are critical, "but the trends are hopeful. Not only are the trends pointing in the right direction, but with the reform program that we are trying to implement as quickly as we can, we hope to firm up those trends, and therefore move much more decisively to where we want the Philippine economy to be."

He said figures for the first six months of 1990 show that growth in imports slowed to 6.6 percent over the same period in 1989, against a 25 percent increase in the first six months of last year.

The government has not announced six-month figures, but the current-account deficit grew to $917 million in the first four months of this year from $491 million in January to March, causing the overall balance of payments to post a deficit of $514 million, about three times as wide as the year-earlier $162 million.

DOLLAR: *As Interest Rates Fall, So Will U.S. Unit*

(Continued from page 1)

Group. "And if the Fed is going to continue to offset the tightness in U.S. credit, the result will be lower U.S. rates."

What is worrying, analysts said, is the growing suspicion in financial markets that the Fed is becoming enmeshed in the political wrangling over the U.S. budget deficit. Some analysts said that Mr. Greenspan's labored technical arguments last week to justify the cut in the Fed funds rate amounted to little more than an attempt to cover up what appears to be a political deal.

"What Greenspan has done is to throw Congress a 25 basis point bone," said Keith Skeoch, international economist at James Capel & Co., referring to the Fed's recent quarter-point rate cut. "We are very concerned that what is happening is that politics are beginning dominate economic decision-making."

As evidence of financial market suspicions, analysts pointed to a marked steepening in the so-called U.S. yield curve.

The yield curve, the differential between long- and short-term rates, is one of the most sensitive indicators of monetary policy. A flat yield curve indicates a tight credit policy, because as the Fed pushes short rates higher, long-term rates often hold steady or drop amid optimism that the tight policy will dampen inflationary pressures.

A steepening yield curve, meanwhile, points to an expansionary policy because as the Fed nudges short-term rates down, long-term rates often do not budge or head higher because of worries that easy credit will stoke inflation.

Over the past week, the U.S. Treasury bond market yield curve steepened to 105 basis points from 85 amid what analysts said were worries that the Fed was caving in to political pressures for lower interest rates.

"To the extent that the market senses something amiss here, there is a threat to the dollar," said Mark Cliff, economist at Nomura Research Institute in London.

Mr. Cliff said that should the market turn increasingly negative on the dollar, it could quickly fall to 145 yen, and possibly as low as 142 yen. The dollar closed in New York on Friday at 148.60 yen.

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U.S. Treasury Bonds

July 20

Maturity	Close Bid	Close Ask	Yield	Wk.-ago yield
30.06.92	100 17/32	100 19/32	8.07	8.14
15.05.93	101 4/32	101 6/32	8.16	8.23
30.06.94	100 27/32	100 29/32	8.24	8.30
15.08.95	100 27/32	100 29/32	8.28	8.32
15.01.97	100 11/32	100 13/32	8.43	8.43
15.05.00	102 19/32	102 21/32	8.48	8.45
15.02.06	106 10/32	106 14/32	8.63	8.56
15.05.20	102 9/32	102 11/32	8.54	8.46

Source: Salomon Inc.

Euromarts At a Glance

Eurobond Yields

	July 18	July 11
U.S. $, 8 yrs & over	9.27	9.34
U.S. $, 5 to 7 yrs	9.18	9.30
U.S. $, less than 5 yrs	8.87	8.59
Pounds sterling, less than 5 yrs	13.46	13.72
French francs, less than 5 yrs	10.32	10.31
Ital. lire, less than 5 yrs	12.00	12.02
Danish kroner, less than 5 yrs	10.17	10.33
ECU, 8 yrs & over	9.94	10.11
ECU, 5 to 7 yrs	9.94	10.18
Can. $, less than 5 yrs	12.72	12.71
Aus. $, less than 5 yrs	15.06	14.86
N.Z. $, less than 5 yrs	13.25	13.21
Yen, 5 to 7 yrs	7.25	7.26
Yen, less than 5 yrs	7.05	7.04

Source: Luxembourg Stock Exchange.

Weekly Sales

July 19

Primary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	180.80	531.00	1,117.60	630.30
Convert.	45.10	45.30	245.90	—
FRNs	20.00	—	591.30	384.30
ECP	4,713.80	1,635.20	8,608.50	2,375.00
Total	4,959.70	2,211.50	10,563.30	3,389.60

Secondary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	4,360.60	10,760.30	12,141.60	9,347.50
Convert.	245.10	816.20	1,219.50	999.30
FRNs	2,828.80	1,895.70	4,199.20	3,981.40
ECP	3,737.60	1,919.70	2,911.30	3,029.30
Total	11,172.10	14,591.90	20,471.60	17,357.50

Source: Euroclear, Cedel.

Libor Rates

July 20

	1-month	3-month	6-month
U.S. $	8⅛	8⅛	8 3/16
Deutsche mark	8⅛	8¼	8 7/16
Pound sterling	15	14 15/16	14 15/16
French franc	9¾	9 15/16	10
ECU	9 15/16	10⅛	10 5/16
Yen	7½	7½	7 9/16

Source: Morgan Guaranty, Lloyds Bank, Reuters.

U.S. Consumer Rates

July 20

Tax Exempt Bonds	
Bond Buyer 20-Bond Index	7.41 %
Money Market Funds	
Donoghue's 7-Day Average	7.66 %
Bank Money Market Accounts	
Bank Rate Monitor Index	5.97 %
Home Mortgage, FHLB average	9.99 %

Source: New York Times Service, UPI.

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Denmark	D.Kr.	3,100	1,268	1,700
Finland	F.M.	2,000	1,276	1,100
France	F.F.	1,600	1,312	880
Germany (mail)	D.M.	600	419	330
—*hand delivery	D.M.	758	261	389
Great Britain	£	150	105	82
Greece (mail)	Dr.	33,000	39,800	18,000
—hand delivery Athens	Dr.	41,000	31,800	23,000
Ireland	Irl.	155	118	85
Italy	Lire	420,000	380,800	231,000
Luxembourg	L.Fr.	11,000	7,200	6,000
Netherlands	Fl.	600	492	340
Norway (airmail)	N.Kr.	2,250	1,390	1,200
—**hand delivery	N.Kr.	2,700	940	1,480
Portugal	Esc.	31,000	30,900	17,000
Spain (mail)	Ptas.	35,000	25,060	19,200
—***hand delivery Barcelona, Bilbao, Sevilla	Ptas.	38,000	22,060	20,900
—***hand delivery Madrid	Ptas.	51,480	—	25,740
Sweden (airmail)	S.Kr.	2,200	1,440	1,210
—**hand delivery	S.Kr.	2,800	840	1,540
Switzerland	S.Fr.	500	446	275
Rest of Europe, North Africa, former French Africa, Middle East	$	500	Varies	275
Rest of Africa, Gulf States, Asia	$	650	by	355
Central/Latin America	$	600	country	330

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COMPANY RESULTS

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

United States

Alaska Air Group

2nd Quar.	1990	1989
Revenue	263.30	226.60
Net Inc.	9.61	10.50
Per Share	0.59	0.66
1st Half	**1990**	**1989**
Revenue	494.10	424.30
Net Inc.	7.55	16.90
Per Share	0.35	1.07

American Brands

2nd Quar.	1990	1989
Revenue	3,000.	2,700.
Net Inc.	158.00	128.00
Per Share	1.62	1.25
1st Half	**1990**	**1989**
Revenue	6,200.	6,000.
Net Inc.	354.00	292.80
Per Share	3.62	3.05

Amer. Elec. Power

2nd Quar.	1990	1989
Revenue	1,260.	1,280.
Net Inc.	112.30	129.30
Per Share	0.60	0.67
12 Months	**1990**	**1989**
Revenue	5,240.	4,980.
Net Inc.	597.80	621.70
Per Share	3.12	3.21

BellSouth

2nd Quar.	1990	1989
Revenue	3,610.	3,460.
Net Inc.	445.20	418.10
Per Share	0.92	0.87
1st Half	**1990**	**1989**
Revenue	7,140.	6,830.
Net Inc.	868.40	867.70
Per Share	1.80	1.83

1989 six-month net includes gain of $48.4 million.

Caterpillar

2nd Quar.	1990	1989
Revenue	2,950.	3,040.
Net Inc.	46.00	141.00
Per Share	0.46	1.39
1st Half	**1990**	**1989**
Revenue	5,880.	5,720.
Net Inc.	145.80	282.00
Per Share	1.43	2.78

Champion Int'l

2nd Quar.	1990	1989
Revenue	1,260.	1,290.
Net Inc.	63.50	113.90
Per Share	0.67	1.20
1st Half	**1990**	**1989**
Revenue	2,540.	2,580.
Net Inc.	133.20	227.40
Per Share	1.29	2.39

Commonwealth Edison

2nd Quar.	1990	1989
Revenue	846.40	1,310.
Net Inc.	(a)378.0	128.20
Per Share	—	0.61
1st Half	**1990**	**1989**
Revenue	2,230.	2,670.
Net Inc.	(a)291.3	292.1
Per Share	—	1.15

a: loss.

Fst Fidelity Bancorp

2nd Quar.	1990	1989
Net Inc.	(a)153.7	59.80
Per Share	—	1.03
1st Half	**1990**	**1989**
Net Inc.	(a)135.9	121.50
Per Share	—	2.10

a: loss. 1990 quarter net includes provisions for losses of $313.9 million.

Gillette

2nd Quar.	1990	1989
Revenue	1,030.	903.90
Net Inc.	82.10	62.50
Per Share	0.70	0.65
1st Half	**1990**	**1989**
Revenue	2,760.	1,840.
Net Inc.	169.10	140.10
Per Share	1.45	1.45

Hercules

2nd Quar.	1990	1989
Revenue	795.80	791.50
Net Inc.	30.20	41.60
Per Share	0.64	0.88
1st Half	**1990**	**1989**
Revenue	1,570.	1,530.
Oper Net	63.90	86.40
Oper Share	1.36	1.84

1989 six-month net excludes gain of $15 million.

Kellogg

2nd Quar.	1990	1989
Revenue	1,260.	1,230.
Net Inc.	135.70	129.70
Per Share	1.13	1.06
1st Half	**1990**	**1989**
Revenue	2,470.	2,370.
Net Inc.	232.00	289.20
Per Share	1.92	2.36

Lockheed

2nd Quar.	1990	1989
Revenue	2,420.	2,560.
Net Inc.	81.00	80.00
Per Share	1.28	1.24
1st Half	**1990**	**1989**
Revenue	4,670.	4,650.
Net Inc.	150.00	142.00
Per Share	2.37	2.29

1989 six-month net includes losses of $4 million.

NYNEX

2nd Quar.	1990	1989
Revenue	3,440.	3,300.
Net Inc.	300.60	279.90
Per Share	1.52	1.42
1st Half	**1990**	**1989**
Revenue	6,760.	6,530.
Net Inc.	592.00	562.60
Per Share	2.98	2.86

Paccar

2nd Quar.	1990	1989
Revenue	632.00	850.20
Net Inc.	18.80	47.50
Per Share	0.54	1.36
1st Half	**1990**	**1989**
Revenue	1,290.	1,680.
Net Inc.	43.90	94.80
Per Share	1.26	2.69

Pacific Gas & Elec.

2nd Quar.	1990	1989
Revenue	2,170.	2,090.
Net Inc.	166.20	236.20
Per Share	0.33	0.50
12 Months	**1990**	**1989**
Revenue	8,810.	8,210.
Net Inc.	796.60	259.60
Per Share	1.63	0.38

1990 quarter net includes charge of $66 million.

Pacific Telesis

2nd Quar.	1990	1989
Revenue	2,430.	2,400.
Net Inc.	287.00	325.00
Per Share	0.72	0.79
1st Half	**1990**	**1989**
Revenue	4,800.	4,750.
Net Inc.	549.00	642.00
Per Share	1.37	1.55

PPG Industries

2nd Quar.	1990	1989
Revenue	1,570.	1,490.
Net Inc.	141.00	127.30
Per Share	1.31	1.13
1st Half	**1990**	**1989**
Revenue	3,050.	2,950.
Net Inc.	266.30	257.10
Per Share	2.47	2.28

Primerica

2nd Quar.	1990	1989
Revenue	1,550.	1,400.
Net Inc.	96.90	63.40
Per Share	0.84	0.65
1st Half	**1990**	**1989**
Revenue	3,800.	2,640.
Net Inc.	180.10	114.80
Per Share	1.56	1.18

Ralston Purina

3rd Quar.	1990	1989
Revenue	1,710.	1,620.
Net Inc.	92.40	83.80
Per Share	1.55	1.27
9 Months	**1990**	**1989**
Revenue	5,310.	4,890.
Net Inc.	314.30	377.30
Per Share	5.08	5.75

Per-share results after preferred dividends.

Rohm & Haas

2nd Quar.	1990	1989
Revenue	768.50	735.20
Net Inc.	70.00	69.30
Per Share	1.05	1.04
1st Half	**1990**	**1989**
Revenue	1,460.	1,410.
Net Inc.	124.10	122.40
Per Share	1.86	1.84

Schering-Plough

2nd Quar.	1990	1989
Revenue	864.00	885.50
Net Inc.	144.10	128.50
Per Share	0.64	0.53
1st Half	**1990**	**1989**
Revenue	1,730.	1,640.
Net Inc.	294.50	246.20
Per Share	1.30	1.09

Shawmut National

2nd Quar.	1990	1989
Net Inc.	30.20	66.80
Per Share	0.40	0.88
1st Half	**1990**	**1989**
Net Inc.	70.80	131.50
Per Share	0.95	1.73

1990 quarter net includes credit of $5.1 million.

SPX

2nd Quar.	1990	1989
Revenue	202.80	163.90
Net Inc.	18.00	60.50
Per Share	0.72	4.44
1st Half	**1990**	**1989**
Revenue	369.00	327.90
Net Inc.	14.10	73.00
Per Share	1.02	5.36

1989 nets include income of $52.9 million in quarter and of $57.7 million in six months.

Texas Instruments

2nd Quar.	1990	1989
Revenue	1,590.	1,630.
Net Inc.	11.00	104.00
Per Share	0.02	1.14
1st Half	**1990**	**1989**
Revenue	3,120.	3,220.
Net Inc.	24.90	191.00
Per Share	0.07	2.04

Textron

2nd Quar.	1990	1989
Revenue	1,990.	1,850.
Net Inc.	72.10	59.30
Per Share	0.80	0.67
1st Half	**1990**	**1989**
Revenue	3,870.	3,670.
Net Inc.	138.30	122.60
Per Share	1.53	1.40

1989 quarter net includes loss of $9.5 million.

Union Camp

2nd Quar.	1990	1989
Revenue	715.00	711.70
Net Inc.	58.40	81.40
Per Share	0.85	1.18
1st Half	**1990**	**1989**
Revenue	1,410.	1,410.
Net Inc.	125.80	161.10
Per Share	1.83	2.34

Union Pacific

2nd Quar.	1990	1989
Revenue	1,780.	1,530.
Net Inc.	153.00	152.00
Per Share	1.53	1.41
1st Half	**1990**	**1989**
Revenue	3,510.	3,180.
Net Inc.	281.00	290.00
Per Share	2.80	2.63

Unisys

2nd Quar.	1990	1989
Revenue	2,470.	2,570.
Net Inc.	11.80	53.60
Per Share	—	0.17
1st Half	**1990**	**1989**
Revenue	4,770.	4,770.
Net Inc.	8.60(a)	25.10

a: loss. Per-share results after preferred dividends.

United Technologies

2nd Quar.	1990	1989
Revenue	5,690.	5,270.
Net Inc.	207.50	197.30
Per Share	1.64	1.50
1st Half	**1990**	**1989**
Revenue	10,490.	9,738.
Net Inc.	342.00	321.00
Per Share	2.69	2.45

1990 quarter net includes charge of $30 million.

US West

2nd Quar.	1990	1989
Revenue	2,410.	2,430.
Net Inc.	276.40	258.60
Per Share	0.72	0.71
1st Half	**1990**	**1989**
Revenue	4,840.	4,830.
Net Inc.	540.30	508.20
Per Share	1.45	1.39

Per share results adjusted for 2-for-1 split in May.

Warner-Lambert

2nd Quar.	1990	1989
Revenue	1,150.	1,020.
Net Inc.	134.00	112.00
Per Share	1.00	0.83
1st Half	**1990**	**1989**
Revenue	2,200.	2,040.
Net Inc.	254.00	213.00
Per Share	1.90	1.58

WALL STREET REVIEW

Figures as of close of trading Friday, July 20.

NYSE Most Actives

	Vol.	High	Low	Last	Chg.
Unitel s	273235	39½	26	27¼	−11⅞
WalMt s	148326	36¾	33	33½	−2⅛
GTE s	135029	29¾	27½	28⅞	− ⅝
Chase	122583	21¼	20⅛	20¼	−1
PhilMr s	112856	51½	49⅞	50⅜	+ ¼
AT&T	110447	38⅛	36½	37⅝	+ ½
Baxter	97047	27½	26⅝	26⅞	+ ⅜
CmpAsc	89065	10¼	8⅞	9	− ⅞
IBM	87954	123¼	117½	117⅝	−3⅝
Tandem	81641	23⅞	17⅞	19⅜	−3⅞
Citicorp	71721	22½	21⅛	21⅝	
Contel s	70214	35	32½	34⅛	− ⅞
Exxon	70025	50	47⅞	48⅜	− ⅛
BnkAm	69231	29½	26¼	26⅝	−2⅝
GenEl	69019	75⅛	73⅞	74	− ⅞
Upjohn	68915	44⅜	40⅞	43⅝	+1¼
CocaCl s	65783	48⅜	45	47⅞	+2½
EKodak	65573	41¾	39¾	39⅞	− ½
AmExp	60341	31⅜	30½	30½	− ⅛
Waste s	55558	45½	41⅞	42⅝	−2⅝
Chrysl r	55137	17¼	15⅞	16	+ ¼
BrwnFr	55030	48⅞	41⅜	42⅛	−6½
StorTc n	51947	34½	25⅞	25⅞	−7⅞
Lilly s	49240	90⅞	82¾	85⅝	−3⅝
GnMotr	48128	50⅛	48⅞	49⅛	+ ½

AMEX Most Actives

	Vol.	High	Low	Last	Chg.
FruitL	28936	13⅝	12¾	12⅞	− ⅛
A-gte sc s	21870	11⅛	9	10	−1
Amdhl	20866	18¾	16⅝	17	−1⅛
BAT In	19032	11⅛	11⅞	11⅜	− ⅛
IntTich	13348	1⅛	⅞	1⅛	− ½
EchoBy	12570	13	12⅜	12⅞	− ⅛
DowC rt	11783	9⅛	8⅝	9⅛	+ ⅛
ENSCO	11361	4⅛	3⅝	4¼	+ ⅛
ContlAir	11066	6⅛	5⅛	5⅝	− ½
Hasbro	10640	18¼	16½	16⅝	−1⅜
FounH n	10289	14	12½	12⅝	−1⅜
SNK 193wi	9708	8⅝	7	8⅝	+ ¾
Hilhav n	9605	1¾	1⅛	1¾	
WangB	8731	4⅜	4	4	− ¼
Coron g	8383	6¾	6¼	6⅜	− ¼
A-gte s	7988	20⅛	19⅝	20	
WDigitl	7847	14⅛	12⅛	12⅛	−2
Nabors	7637	6½	5⅞	6¼	+ ¼
A-mo sc	7530	26⅝	25	26	+ ⅞
A-att2 sc	7261	12½	10¾	11⅞	+ ½
RhnP rt	6921	11⅝	11	11½	+ ¼
A-ge sc	6915	14¼	12½	13¼	− ⅜
JanBell	6874	11⅛	9⅞	9½	−1¼
CalEng	6153	10	9	9¼	+ ⅜
Alza	6036	48⅝	46	46	−2¼

NYSE Sales

	Sales Vol.
Total for week	834,780,000
Week ago	856,350,000
Year ago	879,520,000
Two years ago	750,650,000
Jan 1 to date	21,855,105,000
1989 to date	23,387,470,000
1988 to date	24,603,320,000

AMEX Sales

	Sales Vol.
Total for week	62,060,000
Week ago	71,060,000
Year ago	65,740,000
Jan 1 to date	1,934,860,000
1989 to date	1,398,800,000

NYSE Diaries

	This Wk	Last Wk
Advanced	738	1207
Declined	1200	489
Unchanged	278	296
Total Issues	2216	2192
New Highs	178	224
New Lows	150	138

AMEX Diaries

	This Wk	Last Wk
Advanced	335	418
Declined	459	375
Unchanged	212	204
Total Issues	1006	997
New Highs	53	72
New Lows	72	82

Taiwan Broker Is Closed

Ding Hao Linked To Embezzlement

Reuters

TAIPEI — Another brokerage house in Taiwan was closed on Saturday after authorities found that about 60 million Taiwan dollars ($2.2 million) had been embezzled from selling clients' stocks, the Taiwan Stock Exchange said.

An exchange spokesman told reporters that Ding Hao Securities Co. in the southern city of Kaohsiung had asked to close after this was discovered in the latest islandwide campaign to check operations of brokers.

On July 11, Chao Cheun Securities Co. closed itself after defaulting on settlement of about 600 million dollars. And Ten Jen Securities Co., one of Taiwan's top 10 brokers, was ordered by the Taiwan Stock Exchange to stop trading starting July 17 after it failed to explain the loss of 540 million dollars.

Market analysts attributed the problems to the continuing collapse on the local stock market.

The market has plunged almost 58 percent from its record high of 12,495.34, which was set on Feb. 10.

On Saturday, news of the closure of Ding Hao pushed Taiwan share prices sharply lower at the opening of the Taiwan stock exchange, but big players entered the market to pull the index up, brokers said.

The weighted index rose 105.17 points, or 2.02 percent, to close at 5,299.56 compared with Friday's 5,194.39 finish. Turnover dropped to 56.4 billion dollars from 78.5 billion.

Brokers said that they expected the market to remain volatile in the next few days.

WORLD STOCKS IN REVIEW

Via Agence France-Presse

Amsterdam

Share prices posted slight gains in active trading on the Amsterdam Stock Exchange last week.

The CBS all-share index closed on Friday at 202.50 points, up from 201.20 the previous week. Total turnover for the week surged to 8.7 billion guilders, of which 3.3 billion was in equities. The previous week's volume was 5.9 billion guilders with 2.7 billion in equities.

The Kempen & Co. brokerage said it expects no fundamental change in the Amsterdam stock market this week.

Frankfurt

Share prices posted good gains after a slow start on the Frankfurt stock market last week.

The market reacted positively Wednesday to the success of Chancellor Helmut Kohl's trip to the Soviet Union. The DAX spot-trend index gained 1.9 percent amid heavy buying by West German and foreign investors. The DAX index gained 16.10 points during the week to finish at 1,947.43 points on Friday. The Commerzbank index gained 23 points to close at 2,386.40.

Turnover on the eight West German stock exchanges rose to 50.73 billion Deutsche marks from 38.30 billion DM the previous week.

Hong Kong

Share prices finished higher on the Hong Kong Stock Exchange after seesawing during the week in erratic trading.

The barometer Hang Seng index gained 33.27 points, or 1 percent, to 3,540.43, its highest level since the October 1987 market collapse. But average daily turnover fell to 2.28 billion Hong Kong dollars from 2.34 billion dollars.

Dealers said they expect further gains this week.

London

The London market had an uncertain but eventful week, which ended with a bomb blast at its headquarters Friday. The bomb, believed to have been planted by the Irish Republican Army, brought options trading to a halt, but failed to put the physical market's automatic quotation system out of action.

The Financial Times 100-stock index closed at 2,400.1, a gain of 17.9 points on the week. The FT-30 index ended ahead 18 points at 1,898.1.

Milan

The Milan stock market overcame investor nervousness over some key counters to post strong gains.

The MIB index rose 1.97 percent to 1,089 points, up from 1,068 a week earlier. Volume was an average 45 million shares a day, compared with 60 million the week before. Average daily turnover rose to 270 billion lire from 230 billion lire.

Analysts said that despite signs of a potential political crisis in Italy, demand remained strong among foreign and Italian investors for certain sectors.

Paris

Encouraging economic news and the strong franc helped push up prices on the Bourse.

A modest 0.2 percent rise in consumer prices in June and a lower French trade deficit in May helped boost the CAC-40 Index 32.25 points, to 2,030.60. Volume remained low throughout the week, however, except for Tuesday.

Analysts said they expected quiet trading and bouts of profit-taking this week with the approach of the August holiday season.

Singapore

A strong performance on Wall Street spurred buying interest early last week on the Singapore market. But investors turned cautious and took to the sidelines toward the end of the week.

The Straits Times Industrial Index finished the week 1.85 points lower at 1,562.55, while the all-Singapore SES index lost 1.94 points to 443.03.

The new listing of Hotel Plaza boosted turnover 56 percent, to 475.8 million shares worth 1.02 billion Singapore dollars.

Tokyo

Prices fell on the Tokyo Stock Exchange.

The Nikkei Average of 225 issues closed Friday at 32,421.52, down 222.85 points or 0.68 percent, after a 199.25-point advance the previous week. The Tokyo Stock Price Index of all stocks listed on the market's major section shed 6.41 points to end the week at 2,363.43.

Average daily turnover swelled to 613 million shares from the previous week's 419.2 million.

The weekly loss was largely due to the 634.10-point drop on Friday, after the Bank of Japan collected 1.2 trillion yen in loans. The move was interpreted as an effort to tighten the money market.

Zurich

Share prices fell amid profit-taking as the summer holiday season dampened trading on the Zurich Stock Exchange last week.

The Swiss Performance Index finished at 1,217.1 points, down from 1,231.0. The Swiss Bank Corp. Index lost 8.1 points to 690.1. The Crédit Suisse Stock Index closed at 676.9 points, down from 681.5.

MGM Holders Get a Payment From Pathe

New York Times Service

LOS ANGELES — MGM/UA Communications Co. said its stockholders had received the first payment from Pathe Communications Corp. in connection with Pathe's tender offer for MGM/UA.

Under Pathe's acquisition agreement, MGM/UA shareholders were to receive $4 a share by Friday and the remaining $17.50 by Oct. 23.

The money to cover the $4-a-share payment, which totals $253 million, came from several deposits Pathe had made.

Pathe owes two more $50 million deposits to MGM/UA in August and September.

In total, Pathe needs more than $1 billion to complete the deal.

The company has yet to disclose where the bulk of that payment will come from.

A deal to secure $650 million in financing from Time Warner Inc. has fallen apart.

BUSINESS BRIEFS

Allianz Move Said to Hit Taxpayers

MUNICH (Reuters) — The insurance joint venture between West Germany's Allianz AG and East Germany's state insurance firm will cost taxpayers some 6 billion Deutsche marks ($3.66 billion) over 20 years, the Süddeutsche Zeitung said.

An article in the paper's weekend edition said the June agreement between Allianz and Treuhandanstalt, the East German holding company responsible for privatizing industry, called for the state budget to cover any losses due to past business practices by the Staatliche Versicherung der DDR, the state-owned firm now in a venture with Allianz.

No comment was immediately available from Allianz.

India Orders Curbs on Imports

NEW DELHI (AFP) — India has ordered import curbs on industry to save about $588 million in the face of a major foreign-exchange crunch.

Imports of 37 items in the capital-goods sector have been barred, including machine tools, machinery for making telecommunications and electronics equipment and automatic, color-film-printing equipment.

The government also slashed by 15 percent imports of raw materials and components allowed in free foreign exchange for the automobile, consumer durables and electronics industries.

Statoil May Lend Oil to U.S. Reserve

OSLO (Reuter) — Norway's state oil firm, Den Norske Stats Oljeselskap, or Statoil, said it is holding talks with the United States over the possibility of lending oil to the U.S. Strategic Petroleum Reserve.

"We have had talks with the Department of Energy over leasing oil," a Statoil spokesman, Snorre Jensen, said.

The Norwegian business daily Dagens Naeringsliv said Statoil was offering to lend 100 million barrels of oil to the reserve, worth $1.8 billion at current prices.

Ford Says Brazil Strikers Rampage

RIO DE JANEIRO (Reuter) — Several hundred striking workers at Ford Motor Co.'s Brazilian subsidiary went on a rampage, breaking windows, doors and equipment at the company's main plant and setting fire to cars, the company said Saturday.

The violence erupted after Ford said it would not pay employees for hours not worked during the strike, now in its 41st day.

More Foreign-Owned Firms in China

HONG KONG (AFP) — China's administration for commerce and industry registered 861 new foreign-based companies in 1989, the official China News Service said Saturday in a dispatch monitored here.

The figure represents a 30 percent rise over 1988, CNS said, adding that more than 3,700 companies with overseas connections are registered in China.

Of the 861 companies registered last year, 496 are based in Hong Kong.

U.S. Told to Go Slow in Developing Fast Trains

By John H. Cushman Jr.
New York Times Service

WASHINGTON — High-speed passenger trains that ride on magnetic cushions are economically feasible in the next 10 or 20 years, but only on a relatively small scale, according to a new report by the Federal Railroad Administration.

The magnetic levitation trains, which would travel about 300 miles (480 kilometers) an hour while suspended above a guideway by powerful magnetic fields, are under development in several nations and have been proposed as an alternative to air travel between some cities in the United States.

But the railroad agency said in the study that costs might be too high to permit nationwide networks of the train lines.

The agency's economic analysis found that the train lines could generate enough revenue from fares to cover construction and operating costs on only a relatively few routes, totaling 500 to 2,600 miles.

Although the agency conceded that its estimates "need refinement," it said the best estimate of the approximate total of magnetic levitation lines that could be built and operated without government subsidies was about 850 miles.

Several of the train routes have been proposed by state and local governments, including one from Los Angeles to Las Vegas and another to connect Miami, Orlando and Tampa, Florida.

The study did not judge the merits of individual proposals, but they were used as the basis for the agency's analysis.

The maglev technology is expensive and risky, leading many proponents to call for an increased federal role in development.

The cost of building magnetic levitation routes that totaled 500 to 2,600 miles would be $15.2 billion to $54.7 billion, plus several billion dollars more for the vehicles, the study said.

Although the railroad agency's head, Gilbert Carmichael, has spoken enthusiastically about the prospects for magnetic levitation trains in the United States, he has said that private companies should bear the main burden of developing them, with the government providing some money for research.

AMERICAN EXCHANGE OPTIONS

Figures as of close of trading Friday, July 20.

Option & price		Calls		Puts	
		Jul	Aug	Jul	Aug
AMR	55	5	5½	3	3½

Total volume 296,225
Open interest 2,966,588
r—Not traded. s—None offered. o—Old.

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, July 20.

(Continued)

	Sales in 100s	High	Low	Close	Net Ch'ge
TuesM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TuscPl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20Cnin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TwinSt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TycoTy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TycoTy wt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tyson .04 .1	5895	32½	31¾	32¼	+ ¼
U					
UNR	2292	4	3⅝	3⅞	— ⅛
UNR wt, UNSL, USA Bc, USMX, UST Cp, UTL, UniMrt, UnicoA, Unifrce, Unigen, Ungn wt, Unilob, Unimed, UnBnk, UAEn A, UAEn B, UBCol, UBWV, UCarBk, UCtlGs, UnCoast, UnCosF, UnFdBc, UFinSC, UFireC, UGamp, UHltCr, UMoBn, UnNMx, UtdNwsp, USvBk, USBkVa, US Bc s, USBPa, US Bc pf, US Enr, US Facl, US Gold, US HltC, US Intc, US Prc s, US Trst, USWNV, UStatn, UnTelev	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UtdTlrm, UnTote, Unitog, Unitrin, Unitrnx, UnvHlt, UnvHld, UnvBT s, UPenEn, Urcorc s, UtahMd	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
V					
V Band, VLSI, VMS, VMS II, VMS III, VMS SL, VMS SL2, VMX, VSB Bc, VSE, VWR, Valcom, ValidLg, Vallen s, ValyBc, VlyCa s, ValFSL, VlyBco, ValNtl, ValliCor, Valmnt s, ValLn, ValMer, VanFed, VardCl s, VREF I, VariCre, Varitrn, Varlen, VeloBd, Vencor, Ventrex, VerCty, Venturn, Verifne, VrtFin, Versa s, VertexC, Vestar, Vicor, Vicorp, VictBa, VictCr, VidDsp, Vidmrk, Vie deFr, VieloBc, Viking, Vikonic, VillFin, VlISeM, Vinland, Viratek, VaBch s, VistaOr, VistaLP, Vitalnk, Vivigen, Voltinf, Volvo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W					
WD 40, WLR Fd, WPP Gp, WSMP, WTD, WalnBk, Walbro, WlkrTel, WallSnd, Walshr, WaltCo, WrhseC, Warren, WshBcp, WBcDC, WashEn, WFSL s, WshFOr, WshFDC, WMSB, WMSB pf, WshSvg, WshScl, WatfdW, Watrln, Wattsind, WausP, Waver, Wavetk, WbstCl, WbstFn, Wegenr, WelgTr, Weltek, Wellgtn, Werner, Wesbnc, WstCsl, WMass, WNewtn, WstOne s, Wstcot, Wstrbke, WtBank, WstCap, WFncl, WFdPR, WnWste, WMicTc, WMicr, WstnPb, Wstmrk, WmorC, Weston, WstpBc, WstwOn, WetSeal, Wettra, WetrPr, Weyco s, Wharf, Whlclub, Wicat, Wiland, WilyJ A, Willamt, WillW, Willmt, WmSon s, WlmTr, WlsSGs, WiserO, WolfFn, Wolohn, WlvExp, WlvEx pf, Wolv wt, Woodhd, Wordst, WrkCap, Wkmen, WWTch, Worthg, Wyman, WyomNt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
X					
XL Dta, XOMA, XsRite, Xicor, Xilinx, Xplor, Xscribe, Xylogic, Xyvsn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Y					
YonEnS, YelowF, YesClth, YorkFn, YorkRs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Z					
Z Sevn	[illegible]	15	14	14½	— ½
Zeos, Zeus, Ziegler, ZionUt, Zitel, Zycad, Zygo, Zymos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO EXCHANGE OPTIONS

Figures as of close of trading Friday, July 20.

Option & price		Calls		Puts	
		Jul	Aug	Jul	Aug

Total volume 862,216
Open interest 3,567,327
r—Not traded. s—None offered.—Old.

INTERNATIONAL CLASSIFIED
(Continued From Back Page)

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International Herald Tribune A Special Report Monday, July 23, 1990

Luxembourg Banking

Coporations Tap System For Loans, Management

By Jacques Neher

LUXEMBOURG — While private banking has grabbed the limelight in Luxembourg over the past several years, some of the world's largest corporations are increasingly calling on a small number of these same banks for a host of sophisticated financial services.

Of the 170 banks currently operating in the Grand Duchy, almost all are able to provide some sort of corporate financial service, from direct lending and loan syndication to cash management and investment fund administration. However, observers suggest that less than 100 of the banks make corporate business a significant part of their overall activities.

An indication of the growth in corporate banking activity can be gleaned from the Luxembourg Monetary Institute's figures, which show a loan total of all banks last year of 2.68 trillion Luxembourg francs ($78.8 billion), double the level reported in 1980 and 31 times the combined loan portfolio in 1970.

These figures do not include blossoming off-balance sheet activities such as fiduciary loans, in which a Luxembourg bank acts as a middleman between corporate borrower and the actual lender.

"This will be a good year," said Jacques Worre, head of corporate finance for Kredietbank. "Business is developing and diversifying."

Luxembourg's four major native banking institutions — Kredietbank, Banque Générale du Luxembourg, Banque Internationale à Luxembourg and the Caisse d'Epargne — have an estimated 50 to 60 percent of the direct loan business.

Of the foreign-owned banks, the Swedish institutions have been among the most active in corporate finance in Luxembourg, with 21 such institutions now operating in the city.

"Everybody talks about private banking, but for the past year, we've specialized in corporate banking," said Gunnar Olsson, a director of Skandinaviska Enskilda Banken Luxembourg, noting that the bank's private and corporate

Continued on page 12



David Suter

For the time being, it is clear that Luxembourg-based funds offer considerable advantages, but given the determination of other EC states not to see capital flow out, how long can the Grand Duchy hold out?

French Deregulation Challenges Market

Grand Duchy Cites Umbrella Funds In Defense of Competitive Position

By Gary Humphreys

LUXEMBOURG — Since the slump in the European steel market in 1975, when Luxembourg was dependent on steel for 30 percent of the country's gross national product, government officials have had to think on their feet.

Rapid and liberal regulatory initiatives enabled the country to become a center of Euromarket liquidities during the 1970s, thus providing a counterweight to the struggling steel sector. When that market declined, more change — this time facilitating the growth of private banking, fund management, and domiciliation of holding companies — made this tiny country of 2,586 square kilometers (980.5 square miles) and a population of 370,000 a European leader during the 1980s.

Luxembourg's investment funds industry continues to benefit from government foresight.

"We were the first to incorporate the European Community directive governing collective investments vehicles into our national laws," said Pierre Van Steenkiste, president of the Luxembourg Association of Investment Funds. However, while the Grand Duchy hopes to benefit from a deregulating Europe by attracting liquidities from its less liberal neighbors, it is unlikely to go unchallenged.

The French, who removed the last of their exchange controls at the beginning of the year, have already taken steps to reduce the attraction of their neighbor. Since January, French SICAVs, open-ended investment funds, have been able to capitalize revenues derived from bonds and shares, thus giving investors the choice of whether to receive a regular taxable income or to roll up their savings for the future.

"There was obviously some concern on the part of the French authorities that when the last of the foreign exchange controls went, there would be a flood of capital to Luxembourg into funds offering capitalization as an option," said Bertrand du Passage, a director at Banque Nationale de Paris, as an explanation for the French initiative.

At the same time, the introduction of the UCITS (the undertaking for collective investment in transferable securities) directive in October last year has been a further spur to a more liberal attitude in France. The move enables all approved UCITS funds to be marketed throughout the European Community. Does this mean that Luxembourg's fund industry will suffer?

Mr. du Passage thinks not, arguing that in spite of the changes there are still good reasons for looking at a Luxembourg-based fund. Principally, it is the possibility of investment in an umbrella fund, yet to appear in France, that is the most interesting.

Umbrella funds are organized in the form of a series of compartments between which the investor can move, depending on his view of the market. Banque Nationale de Paris, for example, offers two umbrella funds, which are registered as UCITS and can thus be marketed freely in France and in the rest of Europe in conformity with the European directive. The first of these, Inter Stratégie, is made up of eight compartments offering pure equity exposure to markets ranging from North America to Japan, each compartment in the relevant currency.

The investor chooses which market he wants to be in. When he wants to change, he can move from one compartment to the other, a movement that in most cases can be done at minimal cost but that is liable to capital gains tax in France. Here, as elsewhere, the investor is faced with the problem of declaration. The Luxembourg authorities do not consider the movement from one compartment to another as a sale and so levy no tax. At the same time, any inquiry from the French authorities with regard to movements from compartment to compartment within an umbrella fund will be met with the silence obliged by Luxembourg banking secrecy regulations.

According to Mr. du Passage, the umbrella funds are directed at the top-drawer investors who would like to diversify their portfolio but have limited access to foreign markets. However, this is not a view held by everyone, and certain players such as the Banque Internationale à Luxembourg consider this kind of product as suitable for the mass market.

Banque Internationale à Luxembourg sells the umbrella funds to clients who would like

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The Irresistible Lure of Zero Tax

Special to the IHT

LUXEMBOURG — Luxembourg bankers have a hard time understanding the attitude of their European neighbors on questions of fiscality.

"Luxembourg is not a fiscal paradise," said Pierre Van Steenkiste, director of the Banque Privée and president of the Luxembourg Association of Investment Funds, pointing out that income tax in Luxembourg is among the highest in Europe, progressing rapidly to the top marginal rate of 56 percent. "I would readily exchange our income tax for that of most other European Community countries," he said.

However, while a stiff domestic tax regime may distinguish Luxembourg from the tax havens of Monaco or Bermuda, it is not a strong argument in the face of objections expressed by other members of the European Community, and this for the simple reason that those objections bear on the treatment of nonresident investors who cross the border from Germany, Belgium, Italy, the Netherlands and, since the beginning of the year, France to take advantage of the products and services on offer.

For these nonresidents, zero taxation on the proceeds of bonds, shares or bank deposits proves an irresistible draw. The seduction is all the greater because any legitimate investor dealing with a Luxembourg-based bank knows that his affairs are a matter of the utmost secrecy, since it is forbidden by law, since March 24, 1989, for the Luxembourg fiscal authorities to interrogate the financial institutions on clients' accounts.

The strength of local banking secrecy law has been a key factor in the growth of the private banking business in Luxembourg and, with the exception of Austria's anonymous passbook system, is perhaps the strongest in Europe. Indeed, in certain respects Swiss banking secrecy laws, traditionally considered the toughest, are not as clear-cut as those of Luxembourg. In Luxembourg, revealing bank secrets is a criminal offense punishable by up to six months imprisonment and fines up to 50,000 Luxembourg francs ($1,800). The Swiss punish breaches, too, but their banking law is based on a contractual link between the customer and the bank. In Luxembourg, it is the law, and not the customer, that imposes secrecy.

Of course, where there is secrecy there is distrust, and international pressure for more openness has increased in recent years, particularly since the events of last winter when the world's biggest drug-laundering network was connected with the Luxembourg-based Bank of Credit and Commerce International (BCCI). The Luxembourg parliament reacted quickly by implementing the United Nations Convention in drug trafficking signed in Vienna last December. They also strengthened their anti-drug dealing law of 1973, imposing huge fines and prison sentences of up to five years for anyone involved in laundering drug money, even unwittingly.

THE inevitable effect of this legislation was to increase the interest taken by bankers in the client they are dealing with, a fact that goes against the long tradition of discretion. However, as a gesture toward their clientele, the parliament at the same time introduced a law specifying that bankers and professionals working in the financial sector may not be asked for information for the purpose of tax assessment and that any information illicitly obtained may not be used or passed on to third parties.

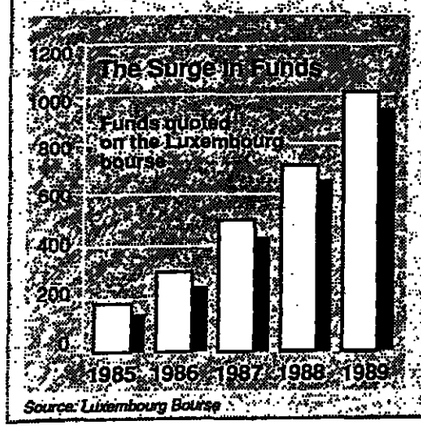
In criminal cases, however, the law is no protection. Luxembourg bankers remind their potential clients that a numbered account is not an anonymous account. Clients must give their identity, and it is up to the banker to satisfy himself as to the provenance of the funds deposited.

However, as Luxembourgers often point out, generous taxation for nonresidents and secrecy arrangements are not all the Grand Duchy has to offer.

Two decades of rapid growth in the financial services sector have resulted in a financial marketplace of considerable expertise, particularly in private banking and fund administration. For investors seeking to broaden the scope of their investment portfolio, whether in terms of products or geographical coverage, the 165 banks, among them giants such as Bank of America and Deutsche Bank, and 703 investment funds, including those sold by Merrill Lynch and Nomura, offer considerable opportunities.

Gary Humphreys

Opportunities for Investment



Source: Luxembourg Bourse

The Most Traded Funds in 1989

Denomination	Fund	No. of Transactions
Deutsche Mark	Immobilier	619
Lux Franc	Robeco	444
Lux Franc	Immo-Croissance Capitalisation	342
Lux Franc	Rolinco	243
Lux Franc	Horento	194

International Herald Tribune

Old Link to Belgian Franc Strengthens

By Brian Martin

LONDON — The prospects for the Luxembourg franc have been tied to those of its Belgian counterpart for nearly 70 years. The 1921 economic and monetary union did not formally set a parity between the two currencies, but they have been effectively locked together since World War II. And now that Belgium is set on establishing the franc as one of Europe's strongest currencies, Luxembourg monetary officials are keener than ever on their Belgian franc link.

It has not always been so. Until recently, it was the Luxembourg economy that shored up the franc. Luxembourg's earnings from financial services helped turn the structural trade deficit of the Belgium-Luxembourg Economic Union into a healthy current account surplus and kept the franc strong. Memories of the 1982 franc crisis are still fresh. Then, the economic problems facing Belgium, high unemployment and rising public indebtedness, prompted it to devalue the franc by 8.5 percent within the European Exchange Rate Mechanism without consulting its partner.

For a nation intent on establishing itself as a major financial center, the move came as a body blow to Luxembourg. Investors seeking a safe haven for funds want the guarantee of a strong currency. The consequent rise in import prices also delivered a sharp jab to Luxembourg's inflation rate. Officials at the Monetary Institute of Luxembourg were furious.

There were rumors that the Grand Duchy would leave the economic union with Belgium. But the crisis marked a turning point in Belgian monetary policy. Luxembourg obtained a commitment from Brussels that it would shadow the Deutsche mark as closely as possible, which, by and large, has been adhered to.

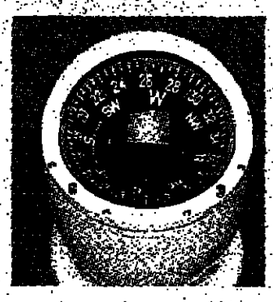
And now it is Belgium that is making the running in establishing a hard currency. In March, the Belgians eliminated the dual exchange rate regime that had been in force since 1955. The decision to remove controls ahead of schedule (under the Delors Plan for European Monetary Union, all controls on capital did not have to be removed until July 1) was designed to emphasize how robust the franc and the Belgian economy had become. It was a move welcomed by the Luxembourg Treasury.

At the time, its director, Yves Mersch said:

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John Cope-van Hasselt

One of the 170 banking institutions currently operating in the Grand Duchy.

French Deregulation Challenges Market

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some international risk but who lack the funds to go it alone. Another attraction of the umbrella fund is its flexibility. It is much easier for the fund managers to add or subtract a fund than to create a brand new SICAV, particularly in Luxembourg where promoters can wait as much as six months for authorization. Thus, it is easier to respond to market developments.

An inverted yield curve, for example, might give rise to a compartment invested in short-term treasury instruments. Of course, umbrella funds are not the only reason investors are drawn to the Grand Duchy.

Funds tend to be invested 100 percent in shares, in bonds, or, for those investors looking for higher performance and ready to accept greater risk, in derivatives such as warrants. This tendency is in marked contrast to the situation in France, where the majority of SICAVs said to be diversified or international are generally made up of at least 50 percent in French securities, with a view to capturing the clientele of insurance companies, which are obliged to keep at least half of their technical reserves in the form of French securities.

At the same time, even though the *obligation d'obligation*, that is to say, the obligation for SICAVs to hold at least 30 percent of their assets in the form of government bonds or liquidities, is no longer in force, many of the mass market funds in France still hold significant amounts of fixed-income securities — the idea being that this softens the blow of any eventual stock market crash.

However, there is no reason for an investor not to invest part of his assets in, for example, a pure North American equity fund, and at the same time buy a fund invested 100 percent in European government securities. In this way the investor at least has a clearer idea of what his exposure is and can regulate his position more exactly, depending on his view of the market.

Diversity is another strength of the Grand Duchy. The sheer breadth of funds on offer in Luxembourg represents one of the greatest attributes of the market. Around 1,000 *fonds communs de placement* are quoted on the Luxembourg bourse, giving the investor access to a broad range of markets and international management competence whether it be Japanese, German, American, or French.

Because the funds are managed outside Luxembourg, an investor buying, for example, units in a Merrill Lynch fund can benefit from the skills of the parent company in the local markets. Entry and exit costs of around 0.8 percent net compare very favorably with tariffs in France and investors are not restricted in their ability to buy into another fund, as might be the case in France when an investor with an account at one bank seeks to buy the SICAV of another.

For the time being, it is clear that Luxembourg-based funds offer considerable advantages, even though in many cases these are related directly to the particular tax laws in place. Given the determination of other EC states not to see capital flow out of their economies, how long can Luxembourg hold out?

Two reasons suggest that the situation will not change in the near future. In the first place, fiscal harmonization in Europe requires unanimity in the European Council. As long as Luxembourg says no to change, there will be no change. In the second place, if Luxembourg did not exist, then capital would be lost to other centers such as Switzerland or the Bahamas.

However, even though the funds industry is safe for the time being, as far as regulatory aggression is concerned, it is nevertheless subject to other pressures, which will to a certain extent put a brake on development. Marc-Hubert Henry, managing director at Kredietrust, which administers 70 UCITS — 60 for third parties, the remaining 10 representing assets of 50 billion Luxembourg francs ($1.47 billion) — points to long lines for promoters wishing to register funds at the Institut Monétaire Luxembourgois (IML), the licensing authority, as one of the more obvious problems.

At the end of last year there were 180 funds waiting to register with the IML, and the institute was telling would-be promoters that they could expect to wait six months before getting the go-ahead. According to Mr. Van Steenkiste, the situation has improved since then. "It is now possible to get clearance from the IML in two weeks," he said.

But Pierre Jaans, director-general at the IML, says there are at present 150 applications stuck in the pipeline. For how long?

"If a dossier is complete, it can be processed in as little as six weeks," he said.

In spite of the difficulties, most fund industry professionals feel that Luxembourg is still the best place to be. The marketing of multicurrency funds in several European countries benefits considerably from the image of clean solidity that Luxembourg has on the Continent. This is largely due to the strict regulation by the IML, which exercises a role similar to that of the Securities and Exchange Commission in the United States.

GARY HUMPHREYS is a financial journalist based in Paris.

Private Banking: Rich Get Richer

By Edward Roby

LUXEMBOURG — The beat goes on, day and night, at the ABBL, the Luxembourg Bankers Association. By day, the organization promotes the interests of around 170 member banks. Come evening, it trains young people to take their places in the 15,000-member work force of the Grand Duchy's burgeoning financial community.

"At any given time we have about 2,500 people being trained in night school courses for jobs at the center's banks," said Lucien Thiel, director of the ABBL. Elsewhere in the city, he added, other people are learning skills for hotel and services jobs that are also being created.

The reason for all this activity — in a country where unemployment is under 2 percent — is the explosive growth over the past five years of a very lucrative but also personnel-intensive activity: private banking.

The mushrooming payrolls of the center's banks, the arrival of 23 new foreign banks last year and the new service positions catering to the needs of their wealthy foreign customers are but a few of the changes being wrought by the new private banking business. Lately, firms like Morgan Stanley are moving in to pick up custodial business from the investment funds.

Mutual funds, an offshoot of private banking, have been flocking to the financial center since April 1988, when Luxembourg became the first country to adopt the European Community rules on investment funds. The number of funds jumped to 645 by the end of last November, up by 129 in the space of a year. Their combined assets grew 41 percent, to 2.8 trillion Luxembourg francs ($81 billion).

Jean Pierson, a director of Banque Paribas Luxembourg S.A., who supervises investment funds, said there were probably more than 650 funds in the Grand Duchy this April. From Luxembourg, with its advantageous fund regulations, they will be able to sell freely in all other EC countries when national marketing barriers fall. Funds are being readied, for example, for the day when West Germany's Bundesbank drops its ban on money market funds, said Ottmar Ruoff, deputy director of Bayerische Vereinsbank International S.A., the Luxembourg unit of a Munich bank.

The exact volume of the banking center's business with private clients is hard to pinpoint. Ekkehard Storck, managing director of the market-leading Deutsche Bank Luxembourg S.A., said one clue is the rising share of the Grand Duchy's bank earnings from fee business. Net commission earnings rose to 10.2 percent of gross earnings in 1988 from 3.2 percent in 1982. Private customers also contributed to the increase of 984 billion Luxembourg francs in Luxembourg deposits from nonbanks in the year to last September, he said.

Mr. Thiel, of ABBL, cited Bank for International Settlements figures showing that Luxembourg's share of international business with nonbank customers amounted to 16.5 percent or 17 percent compared with the center's 10 percent overall share of financial activity. In terms of total balance sheets, Luxembourg's nonbank deposits climbed to 38.5 percent last year after 23 percent in 1985 and 21 percent in 1975, he said.

That makes a tidy sum, considering the Grand Duchy's collective banking balance sheet came to the equivalent of around 11 trillion Luxembourg francs last year, up 14 percent from 9.7 trillion francs at the end of 1988. The Grand Duchy ranked third among Europe's money centers handling international lending and money market activities. But it is becoming easier to compare Luxembourg with the private banking haven of Switzerland than with London, the Euromarket leader, or second-ranked Paris.

Contraction on the Euromarket

Middle and long-term new business on international financial markets in billions of U.S. dollars.

Market segment	1989	1988	% change 89/88
Bonds	254	227	+12
Syndicated Eurocredits	91	116	-22
Backup Facilities	7	17	-59
Facilities without backup (of which Eurocommercial paper/medium term notes)	65 47/15	77 57/13	-16 -18/+15
Other	14	17	-18
Market Total	431	454	-5

Source: OECD

International Herald Tribune

Private banking has its pitfalls, as Luxembourg found this year when U.S. sleuths traced an estimated $3.25 million in alleged drug money belonging to the deposed Panamanian dictator Manuel Noriega to an account at the Grand Duchy's Bank of Credit and Commerce International. The embarrassing revelation came despite a new law setting stiff penalties for laundering of drug money.

THE FLAP blew over when it turned out that the money came through London middlemen and the bank was apparently unaware of its origins. The Institut Monétaire Luxembourgeois, the banking authority, cautioned bankers on their legal responsibility to identify their customers and the source of all big deposits.

The Noriega affair is a lesson from which Luxembourg will eventually benefit, said Marc-Hubert Henry, managing director of Kredietrust. "We don't want to be involved in any way in money laundering," he said. "In the long term it is very important to be, and to appear to be, a clean financial center."

Mr. Henry said his bank always demands customer references, even though it sometimes discourages referral of funds from other banks if one inquires about the identity of the beneficial owner.

Mr. Ruoff said all the center's bankers are now on the alert to avoid further troubles with drug-money laundering. He said his bank presents depositors with a 10-point questionnaire, makes a copy of their passports and demands references.

Luxembourg's appeal to wealthy private customers is buttressed by a secrecy law that Mr. Thiel said might even offer "a slight advantage" over Switzerland's. Mr. Henry's bank has taken an unprecedented step to further insulate its private customers from subtle conflicts of interest that might arise within a universal bank that has its own extensive trading and investment activities.

The Belgian-Luxembourg Kredietbank group (*KBL*) organized Kredietrust two years ago as an independent subsidiary to handle portfolio management, administer funds and set up holdings and trusts. This strictly private banking unit, which has registered 20 percent annual growth in private portfolios, probably ranks with Banque Internationale à Luxembourg, Banque Générale du Luxembourg, Dresdner Bank Luxembourg and the private banking newcomer Deutsche Bank Luxembourg among the biggest private banking operations.

Luxembourg's bankers have traditionally accepted more modest private accounts than the haughty Swiss. The minimum deposit is sometimes as low as $100,000. Thanks to the follies and foibles of financial policy makers in the surrounding countries — West Germany's abortive 10 percent withholding tax on interest earnings, for example — there has been no shortage of wealth fleeing to Luxembourg.

"There is a need for a sort of offshore center within the European Community to bind capital there," said Mr. Thiel. "We have 25 years of experience in the international money business. There is no reason to think this is going to be wiped out."

EDWARD ROBY is a financial journalist based in Germany.

Corporations Come for Loans

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activities were formally split apart into separate companies.

Like many of Luxembourg's foreign-owned banks, SEB focuses on the needs of its traditional market — in this case, Swedish corporations operating outside of Sweden. Mr. Olsson estimated there are 230 Swedish companies with subsidiaries in Belgium; another 230 in the Netherlands, 200 in France and up to 100 in Italy.

"They come in all sizes — everyone from Volvo in Ghent to a sales office in Brussels with a salesman, a secretary and a fax machine," he said, adding that the growth of Swedish captive reinsurance companies in Luxembourg has also provided a market for the Swedish banking contingent.

Officials say that one of the big lending areas for the Swedish banks is real estate, as Swedish investors have been among the most active in the European commercial real estate market in recent years.

Unlike the Swedes, Japanese banks in Luxembourg do not generally provide financing. Instead, they have set up operations — there are now nine of them — to provide nonlending corporate financial services, including Eurobond listings, currency swaps and investment fund administration, for big clients such as the major Japanese insurance companies.

"Japanese companies don't need to come to us for money," said the executive of one major Japanese bank in Luxembourg. "They are already cash rich, but if they ever did need money, they could find cheaper financing in Japan than here."

Meanwhile, the German-owned banks in Luxembourg — there are now 38 — have concentrated in the past few years on loan syndication for multinational corporations, whereby they put together bank consortiums to provide credit facilities often surpassing $100 million. However, many of them also provide a measure of direct short-term loan facilities for German companies.

German-owned banks can offer loans at a lower cost through their Luxembourg subsidiaries because, unlike in Germany, there are no minimum reserve requirements. In Germany, banks are required to put on reserve with the Bundesbank a sum based on a small percentage of their deposits. Since they receive no interest on these reserves, their cost of money for loaning out is higher.

"The idea of a German bank establishing itself in Luxembourg has been to avoid having to pay minimum reserves," said Bodo Demisch, a corporate lending officer at Deutsche Bank Luxembourg.

Deutsche Bank, the leading West German Eurobank in Luxembourg, has focused most of its efforts in recent years on arranging and lead-managing loan syndicates to top-flight international corporations. This follows a period in which the bank had to write down huge sums following an aggressive policy of lending to developing countries.

Over the past year, for example, it headed up a 1.5 billion Deutsche mark ($914 million) facility for Volkswagen and a 1.6 billion mark facility for Solvay, the Belgian company.

Most of these, Mr. Demisch said, are stand-by agreements over five or seven years that assure the borrower of liquidity if the need arises.

Direct lending, in contrast, tends to cover actual short-term borrowing needs of clients.

Meanwhile, Luxembourg's native banking institutions report a strong pickup in Luxembourg franc capital market activity after a slight setback in 1989.

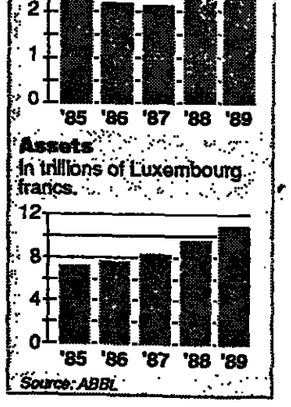
"We've had an enormous start in 1990," said Charles Bloema, area manager for international corporate finance at Banque Générale du Luxembourg.

At the end of May, bonds worth some 54 billion francs had been issued in 181 private placements and 9.3 billion francs in 10 public issues. These figures come close to full-year figures for 1989, when private placements totaled 56 billion francs and public issues came to 14 billion francs.

Boosting the business, Mr. Bloema said, was a combination of factors, including an inverted yield curve earlier in the year, which created a heightened demand for paper of shorter maturities, a good swap market and a decline in the Belgian withholding tax — from 25 percent to 10 percent — that resulted in a higher yield for the investor in Luxembourg franc-denominated paper and a lower cost for the issuer.

Although Luxembourg's native banks are not known for lead-managing Euro-loan syndicates, they often have been active in so-called club deals, in which just a handful of banks get together to provide a major loan of perhaps $100 million to a corporate borrower. They are also increasingly active in off-balance sheet fiduciary loans.

The Blossoming of Luxembourg Banks



JACQUES NEHER is a financial journalist based in Paris.

A Growing Mecca for Captive Reinsurers

Special to the IHT

LUXEMBOURG — Insurance Commissioner Victor Rod seems to be the man of the hour in Luxembourg. Armed with his ideas and expertise, the Grand Duchy has transformed itself in the space of six years from a cipher into a world power in the burgeoning field of captive reinsurance.

Luxembourg's growing importance as a center for captive reinsurers was formally acknowledged in early June when more than 500 insurance executives gathered here for a two-day conference on this lucrative new branch.

"It was the most important event of its kind on the European Continent," said Mr. Rod, who delivered the keynote speech after a welcoming address by Jacques Santer, prime minister of Luxembourg.

Mr. Santer assured the conference delegates there was no reason to fear that the Grand Duchy would change its favorable legislation on insurance and taxation — the two ingredients of Luxembourg's sudden emergence as a mecca for this innovative financial industry.

Mr. Rod's idea of making Luxembourg a domicile for reinsurance captives was embraced by the government with the enactment of a new insurance law on Feb. 24, 1984. It set ground rules for the establishment of reinsurance companies and offered advantageous tax treatment.

Scandinavian industrial companies were the first to take advantage of the law. By the end of 1984 the Grand Duchy had its first seven captives. Subsequent growth has been exponential. Now there are 102 reinsurance captives in the financial center and another 15 professional reinsurance companies that came to cash in on the retrocession of risk and premium income from the captives. There are also 55 ordinary insurance companies.

At the moment, all this activity brings only indirect benefits to the Grand Duchy because the captives, in keeping with the insurance law, are not initially required to remit taxes. The payoff for Luxembourg comes later, when the captives have amassed large reserves.

"There are no tax exemptions, only tax deferrals," said Mr. Rod. "The captives will have to pay taxes after a 10- or 12-year period. And then this industry will be an important revenue source for the Luxembourg treasury."

> The payoff comes when the captives have amassed large reserves.

Offshore financial centers like Bermuda, Cayman Islands, Singapore, Netherlands Antilles and Channel Islands have become well-known domiciles for captive reinsurers since the idea caught on in the past few decades.

The beauty of Luxembourg is that, unlike some of its established competitors, it is not a tax haven and maintains double taxation agreements with most leading industrial countries. That is what made it so attractive to the Scandinavians, who were barred by their laws from running captive reinsurers from exotic tax oases. They were joined by French, Swiss, Belgian, Dutch and Spanish captives. Italians are expected to arrive soon, too.

By the end of this year, said Mr. Rod, Luxembourg expects to have 150 reinsurance companies. The biggest coup, it seems, is just about to be landed: The Japanese are coming.

The commissioner predicted that the first Japanese captive would be set up in early autumn.

One disappointment has been that, while the German banks dominate Luxembourg's all-important Eurolending scene, the German non-banks have shunned the Grand Duchy when it comes to setting up captives. Only Aachener & Münchener and Gerling, two professional reinsurers, have come to Luxembourg for retrocessive business.

German captives have been going to Dublin for fear that West German tax law would bar the parents from deducting premiums paid to Luxembourg captives.

It is a small blemish, considering the fact that the collective balance sheet of Luxembourg's reinsurance captives tripled in the past year to at least 90 billion Luxembourg francs (about $2.6 billion). But the commissioner, a 40-year-old lawyer and former lobbyist, said he is after quality, not quantity. Only the very largest companies — ones that normally pay annual insurance premiums the equivalent of at least $2 million — are invited to set up Luxembourg captives.

Manufacturers, trading companies or banks organize captives to benefit from self-insurance against business risks like accident, fraud, fire or product liability. Typically, professional insurance companies insure these business risks for a company under stipulation that the insurer in turn reinsures the risk with the company's captive. This minimizes the company's premiums, helps cash flow and permits a multinational to develop a global insurance and financial strategy.

Edward Roby

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Low Costs Draw Banks Catering To Middle-Rich

By Gary Humphreys

LUXEMBOURG — With the arrival of the Corner Bank in June of last year and Banque Pictet in November, the total of Swiss banks doing business in Luxembourg rose to 14, double the number registered in 1983. This puts the Swiss ahead of both the United States, with 12 banks, and the Japanese, with 10.

Why the interest in locating in Luxembourg?

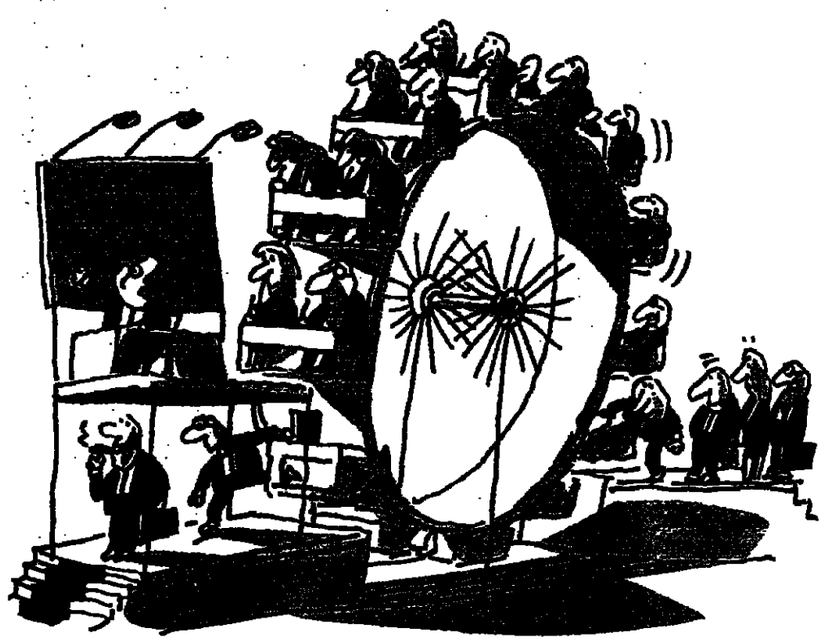
Arthur Decurtins, managing director at Union Bank of Switzerland (UBS), one of the first of the Swiss banks to arrive in Luxembourg, said that at the beginning of the 1970s, when short-term interest rates were on the rise, nonresident investors in Switzerland, wanting to take advantage of the movement, found the 35 percent withholding tax levied on interest-bearing accounts too expensive. The result was a flood of private money out of the Swiss banking system and into Luxembourg, where withholding tax was not levied.

In an effort to limit the damage, the three largest Swiss banks, UBS, Crédit Suisse and Swiss Bank Corp., set up subsidiaries in the Grand Duchy in order to manage their clients' money on a fiduciary basis. Twenty years later the situation is no different, and as Mr. Decurtins put it: "As long as the fiscal situation in Switzerland does not change, capital will be placed outside to the profit of centers such as Luxembourg."

Thus, cost was and still is an essential distinguishing feature of the two countries.

"You still have a cost advantage here in Luxembourg not only with regard to the withholding tax but also stamp duty," Mr. Decurtins said. Bourse transactions in Luxembourg are not liable to stamp duty, and savings made by the intermediaries filter down to the investor.

The fundamental evolution of Luxembourg in the last few years has been its passage from a financial center oriented almost exclusively toward the Eurocurrency and Eurobond market to a varied center successful in a number of areas but particularly in private banking.



Nicolae Asan

PIERRE JAANS, director of the Institut Monétaire Luxembourgeois, believes it is this market that has provoked the Swiss banks to go north.

"The Swiss are old hands at this game and are attracted by the possibility of finding a new market, a market made up of a clientele rather less wealthy than that found in Switzerland, a market based on the needs of the middle-rich," Mr. Jaans said.

Luxembourg serves the needs not of the multimillionaire pop star or oil tycoon — though these are certainly among the banks' clients in the Grand Duchy — but rather the professional people in one of the surrounding countries who have accumulated wealth through the exercise of their profession or who have inherited a little property.

UCL, one of the leading Belgian private banks, claims that about 50 percent of its private clientele are independent professionals, for the most part of Belgian nationality. Lampebank, a German institution specializing in private banking, attracts mostly doctors in a private client list that is 98 percent German.

According to Ulrich Bush, a private customer manager at Lampebank, the patronage of young doctors setting up their own practices is welcomed at the bank, with the German head office offering credit often secured against assets deposited in Luxembourg.

But it is not always the young doctor who comes knocking on Lampebank's door. Mr. Bush also says he sees a number of clients who come from Switzerland in search of more personalized service.

"If they only have a couple of million Deutsche marks to invest, they are not always given as much attention as they would like in Switzerland," he said, an opinion echoed by several Luxembourg bankers.

Mr. Decurtins allowed that Swiss banks on the Bahnhofstrasse, Zurich's main banking street, might be less than cordial to clients with only a couple of million Deutsche marks to invest, but he said that away from the big city centers the welcome was warmer. He also emphasized the added value of a long tradition of private banking in Switzerland.

"Switzerland offers hundreds of years of tradition in portfolio management," he said, contrasting this with the recent developments in Luxembourg. "You cannot start a private banking service overnight."

ALTHOUGH hardly an overnight phenomenon, Luxembourg's private banking business has developed in a relatively short time. The push into private banking is reflected in a considerable improvement in the ratio of bank to nonbank deposits. Nonbank deposits have increased by a factor of 11 since 1977 to 4 trillion Luxembourg francs, and now represent roughly one-third of balance sheet totals.

Does this rapid growth mean that the systems and personnel are lacking for high-performance portfolio management? Not surprisingly, Luxembourg's bankers do not think so.

"We have become very professional in the last 10 years," said Jean-Marie Jaspart, head of private banking at Banque Internationale à Luxembourg. "If a customer comes to us for a high-performance, high-risk portfolio, we can do it." At the same time, the comparison with Switzerland is to a certain extent fallacious given that in the majority of cases portfolios are not managed by the Luxembourg entity but by the home company, whether it be in New York, Tokyo, or Paris.

Finally, it is by no means clear that the demand for high-performance, high-risk products is significant. According to Mr. Jaspart, the majority of customers are looking for conservative and safe investment.

"The revenues generated are often planned to give a kind of secondary pension plan," he said.

Bourse Braces for Downturn

By Jacques Neher

LUXEMBOURG — After experiencing a surge in business last year, the Luxembourg Stock Exchange is preparing for a downturn in 1990.

"We're down slightly so far, and I think we'll end up for the full year somewhere between our performance in 1989 and 1988," said Michel Maquil, secretary-general of the bourse, which functions principally as a market for odd-lot trading in Eurobonds.

In the first five months of 1990, volume totaled about $333 million, off 2.5 percent from the same period of 1989. At the same time, there were 484 new listings on the Luxembourg exchange, off about the same amount from the 1989 period.

Listings at the bourse mushroomed last year, with 1,312 bonds worth $174.4 billion joining the market. That represented an 11 percent growth in listings but a 78 percent increase in total bond value over 1988, when 1,181 bonds, worth $97.9 billion, were listed in Luxembourg.

The decline this year, said Mr. Maquil, has been due mostly to the severe drop in Japanese warrant issues.

"Since January, there have been only 30 issues with warrants attached, while in all of 1989, there were 195 such issues, most of them from Japan," he said.

He also blamed current high interest rates, "which have made it more interesting for investors to put their money in time deposits than in the bond market." As of the end of May, there were 7,174 bonds listed in Luxembourg.

New issues continue to be denominated in dollars. In the first five months, 159 listings, or 33 percent, were in dollars, while 127 listings, or 26 percent, were in Japanese yen.

In 1989, 593 issues were in dollars, accounting for 45 percent of the new listings, while 247 bonds were in yen.

In value, however, dollar-denominated bonds totaled $113.5 billion, or 65 percent of the new listings last year, while bonds in yen had a value equivalent to only $14 billion, or 8 percent of the total new issue value.

The European Currency Unit experienced some new life last year, with 96 ECU bonds, worth a total of $13.3 billion, coming to market. That is a marked improvement over 1988, when only 75 ECU bonds, worth $11 billion, came to market.

Experts, meanwhile, predict there will be a new interest in bonds issued in Luxembourg francs, as the Luxembourg Monetary Institute (IML) is preparing to totally deregulate the public issues market.

"I expect to see more public issues than in the past, and less private placements," Mr. Maquil said.

After partial relaxation of regulations last fall, as of July 1 the IML removed ceilings on issue size for both public and privately placed bonds. Up to now, public issues have been limited to 1 billion francs ($29.5 million) and private placements have had to be kept to 300 million francs, often requiring borrowers to issue up to three tranches in order to raise the capital they needed.

In addition, issuing institutions will no longer have to line up for public issues on the IML's "priority calendar," a process that could take 18 months.

The players in the Luxembourg franc capital markets are bracing for more competition this year as a result of this deregulation.

"These changes will make the market more efficient and give Luxembourg a better competitive position," said Charles Bloema, area manager for international corporate finance at Banque Générale du Luxembourg.

Experts predict that the deregulation will lead to individual bond issues of perhaps 2 billion or 2.5 billion francs — more than double the current maximum — which will necessitate much more care in pricing.

Up to now, the market for bonds in Luxembourg francs has been dominated by private placements. In 1989, there were some 20 such public issues, worth $600 million, while private placements totaled around $1.6 billion.

There was a strong pickup in these issues in the first three months, resulting in volumes through May that came close to full-year figures for 1989.

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NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of TRANSPACIFIC FUND S.A. will be held at its registered office at Luxembourg, 14 Rue Aldringen, on Tuesday, July 31, 1990 at 11:00 hours for the purpose of considering and voting upon the following matters:

1. To hear and accept the management report of the directors;
2. To hear and accept the report of the auditor;
3. To approve the statements of assets and liabilities and statement of operations for the year ended March 31, 1990;
4. The allocation of the net profits, and the determination of amount and date of payment of the dividend;
5. To discharge the directors and the auditor with respect to their performance of duties during the year ended March 31, 1990;
6. To elect the directors to serve until the next annual general meeting of shareholders and to elect the auditor to serve until the next annual general meeting of shareholders;
7. To approve the payment of the directors fees for the period under review;
8. Miscellaneous.

The shareholders are advised that no quorum for the statutory meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of July 31, 1990, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered offices fo the Fund at the following banks:

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The Board of Directors.

As Profits Go Up, the Germans Settle In

By Edward Roby

LUXEMBOURG — The gleaming skyscrapers that dominate Frankfurt's skyline make a powerful comment on the prosperity of the German banks that own them. The same could hardly be said of the modest rented office suites and old mansions that typically house their offshore banking subsidiaries in Luxembourg.

The 38 German-owned banks in the Grand Duchy betray few signs of the rising profitability they have enjoyed in recent years. Yet they dominate the financial scene there and Luxembourg remains the premier center for the Euromark, the currency in which 38 percent of its banking center's assets are held.

But the traditional source of this prosperity has been Eurolending, a low-overhead activity that could be handled by a few specialists with some good office equipment. Thus, the German banks have always had a certain provisional appearance, as though they might pack up and leave, said Lucien Thiel, director of the Luxembourg Bankers Association.

This is changing, and a sign of the times, he said, is the new office building Deutsche Bank Luxembourg SA, the financial center's leading Eurobank, will occupy next year. The shift from provisional to permanent status reflects the evolution of the business the German banks have been doing since the sovereign debt crisis eight years ago caused them to start looking hard at labor-intensive private banking services as an alternative business.

Syndicated Eurocredit volume, which made a brief 1988 comeback to a record $116 billion, slipped last year to pre-crisis levels at $91 billion, and the vital signs are depressing. But new business with private customers has grown impressively in the past five years. Even Deutsche Bank Luxembourg, a strictly wholesale Eurobank only three years ago, now stresses the importance of its new private banking business.



John Copes-van Hasselt

Ekkehard Storck of Deutsche Bank.

While consortial lending easily remains the principal source of earnings for the German banks, there is some cause to fear for the future of this business. The German banking community in Luxembourg, for example, was buzzing with rumors this spring that Germany's Bundesbank was preparing to scale down or drop its minimum reserve requirements — no-interest security deposits that domestic banks must maintain at the central bank.

If this happened, said Ekkehard Storck, managing director of Deutsche Bank Luxembourg, "the German banks could then just do their international lending from Frankfurt."

Ottmar Ruoff, deputy director of Bayerische Vereinsbank International SA, the Luxembourg unit of a large Munich bank, agreed that "the advantage of Luxembourg would disappear" if the Bundesbank scrapped the minimum reserves.

This particular danger appears to have receded for the moment, said Mr. Thiel. But he added: "The fate of Luxembourg still hinges on the decisions of others." The European Community, for example, might try to harmonize reserve requirements as it did with taxes. Then, he said, the issue would be how far and how fast.

A more immediate peril for the Eurobanks would be a sequel to the Third World debt crisis, this time in Eastern Europe. Bulgaria dropped the first shoe in late March. "The financial community is now worried about Russia," Mr. Ruoff said, citing massive, recent sales of gold that might have belonged to the Soviet Union.

THE liberalization of national capital markets, moreover, meant that some financing, especially that linked to corporate takeovers, was done at home last year rather than in the Euromarket. The junk bond crisis discouraged leveraged buyouts, and it was only the Japanese companies with their dollar-denominated warrants bonds and convertibles that helped boost Eurobond issuing volume by 12 percent. But Eurocommercial paper programs, like most of the fancy new financing instruments, lost their appeal.

Despite difficult conditions, the most prominent German-owned banks notched higher profits again in 1989 and the outlook for the current year seems equally good. Mr. Ruoff called his bank's performance in the first five months of this year "very satisfactory" on the strength of good net interest income and even stronger commission earnings. He said the bank expected to at least match its 1989 operating earnings.

Fee business and trading profits got a big boost from the record-setting rise in German share prices. But the steam went out of this market rally in the second quarter and the prospect of even higher German capital market yields could force some banks to write down their bond portfolios again this year. A recent improvement in Euromarket lending margins could help somewhat.

The Deutsche Bank unit said it had raised its operating earnings by 15.7 percent last year to the equivalent of 290 million Deutsche marks ($172.5 million) from 250 million in 1988. The bank also said it increased its assets by 11 percent to 34.5 billion DM from 31.1 billion DM. It paid a 28 percent dividend to Frankfurt after placing 50 million DM of its 117 million DM net in open reserves.

Dresdner Bank Luxembourg SA, the center's No. 2 bank, paid the Frankfurt parent a 20 percent dividend, or 32 million DM after 40 million DM in 1988, on "very satisfactory" 1989 earnings. The bank said it increased its assets 11 percent to 22.6 billion DM from 20.4 billion DM in 1988. It also earmarked 209 million DM in profit to provisions against depreciation and souring loans.

Dresdner said lending last year went mainly to West European borrowers and that customer deposits rose to 40 percent of the footing. It also established a subsidiary, Banque pour l'Europe S.A. Europe Bank AG, to advise companies on European Community investment subsidies and incentives and to provide supplemental financing.

Bayerische Vereinsbank International raised its assets 8.6 percent to 8.9 billion DM last year while boosting lending volume by 15 percent. Customer deposits increased to 47 percent of the balance sheet. It paid an unchanged 12 percent dividend on share capital of 100 million DM.

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Old Link to Belgian Franc Strengthens

Continued from page 11

"We were obviously satisfied with the system since we have kept it since 1955. But now it seems an anomaly."

The dual exchange rate consisted of a commercial rate for trade in goods and services and a financial rate for capital transactions. Traditionally, the financial franc traded at a discount to the commercial franc. The commercial franc was the rate that had to be kept within plus/or minus 2.25 percent of a central rate against the Deutsche mark under European Monetary System rules. At times of crisis the gap between the two francs became very large and at one point in 1982 it reached 16 percent. But in recent months the differential had all but disappeared, leaving the dual currency regime an anomaly.

And now it it clear that Belgian monetary officials want to squeeze the maximum benefit out of their newly unified currency. In May, Finance Minister Philippe Maystadt announced that as part of the first stage of European monetary union, the monetary authorities intended to announce their intention to link the Belgian franc's value to the mark.

It was a vague statement, but the logic behind the words was clear. For some time Belgian officials had bemoaned the fact that there was such a large interest rate gap between the Brussels and Frankfurt money markets. This was not a question of national pride but a key concern of economic management given the large costs of servicing Belgium's public debt.

Foreign exchange markets immediately concluded that Brussels had in mind a regime similar to that operated by the Netherlands. (Dutch officials limit fluctuations in the guilder/DM rate to around plus/or minus 0.5 percent and have at times been rewarded with interest rates below West German levels.) Brussels officials later confirmed this.

THE market reaction to the two announcements has also been wholly positive. The franc has strengthened and interest rates have fallen. From a position close to its central European Monetary System parity of 20.625 per DM, the franc has strengthened to around 20.60 — despite a 0.45 percentage point cut in Belgium's key three-month Treasury Bill rate to 9.3 percent. And there is cautious optimism that further interest rate cuts will be possible.

"You could see a situation developing where there's a virtuous cycle," said Stefaan Sterck, chief dealer at Bank of America in Antwerp. "The announcement has created lower interest rates, which will mean a lower Belgian budget deficit, which will help the franc, which will mean lower interest rates and so on."

At the short end of the interest rate spectrum, there is now a differential of around 1.25 points between West German and Belgian money rates. But at maturities of between five and 10 years, the gap drops to 50 to 70 basis points. Traders believe that within six months to a year, when markets have had a chance to gauge the credibility of the new link, the gap on short-term rates could be as narrow as that at the longer end is now.

The performance of the Belgian budget deficit is crucial here. Some say Mr. Maystadt's announcement of a closer link was timed not so much to allow him to produce something concrete at last month's Dublin summit of EC ministers but to dictate that this year's budget talks be an austere affair. Government ministers now will have to reject demands from pressure groups for more spending as a threat to currency policy, so the thinking goes.

Willy Claes, the Belgian minister for economic affairs, has pointed out that it would have been better for the budget for 1991 to have been passed before committing the franc to a firm relationship with the Deutsche mark. Mr. Claes is a member of the Flemish Socialists and a politician aware of how tight fiscal policy might become under the new regime.

That fiscal policy will play an even more critical role in the future is clear. Less obvious is whether the evolution of Belgian monetary policy will come to a halt with the creation of a rigid franc/DM link.

Mr. Sterck, of the Bank of America, and others believe that the Belgians, the Germans, the Dutch and possibly the French are preparing to spearhead a two-speed process toward European monetary union.

A de facto Deutsche mark bloc now exists in the Benelux countries. It would be a relatively straightforward matter for these countries to set up a European central bank, inevitably dominated by the Bundesbank, which could be joined by others at a later stage. It is a prospect that has upset the more peripheral EC countries such as Ireland and the United Kingdom, but the chance of even closer links with the Deutsche mark would be warmly embraced by Luxembourg.

BRIAN MARTIN is a financial journalist based in London.

MONDAY SPORTS

LeMond Cruises to Win His 3d Tour de France

By Samuel Abt
International Herald Tribune

PARIS — Unchallengeable in his lead and glowing in his new yellow jersey, Greg LeMond cruised into Paris on Sunday as the winner of the Tour de France for the second successive year.

When the 156-man field swept through the last of eight laps on the Champs-Elysées and passed the final line, LeMond jerked his arms upward in a sign of victory. That gesture is usually left to the daily stage winner, but the American's jubilance was understandable.

Barely three months ago he had to drop out of a minor, short race in Washington because of a combination of undertraining and a viral infection. And Sunday he was once again the winner of the world's greatest bicycle race, three weeks long and covering 3,412 kilometers (2,122 miles.)

"I was very nervous until I saw the Champs-Elysées," he said as photographers threatened to overwhelm him. "I almost cried when we reached it."

LeMond, who rides for the Z team, finished in a total time of 90 hours, 43 minutes, 20 seconds. Second, 2:16 behind, was Claudio Chiappucci, an Italian with Carrera, who rode a valiant Tour and wore the yellow jersey of the leader until Saturday. Third was Erik Breukink, a Dutchman with PDM, 2:29 behind.

Among his other rewards, LeMond collected a check for 2 million French francs (about $360,000) in a total prize pool of 10 million francs.

The victor was loudly and persistently cheered in a country where he has been popular for nearly a decade. LeMond turned professional here in 1981 and has ridden for four French teams, including Z.

With no Frenchman in the top 10 leaders of the Tour for the first time since 1925, it seemed that the public had adopted the American.

The victory guaranteed that LeMond will again wear No. 1 next year in the Tour, which began in 1903 and has been interrupted only by the two world wars.

This was his third Tour victory in five years. He first won in 1986, missed the next year after he was shot in a hunting accident, missed 1988 because of a tendon infection and returned in triumph last year.

The third victory moved him out of a crowd and into the elite company of Philippe Thys, a Belgian who won in 1913, 1914 and 1920, and Louison Bobet, a Frenchman who won in 1953, 1954 and 1955.

Ahead of them in Tour victories are only Jacques Anquetil, Eddy Merckx and Bernard Hinault, with five each. LeMond, who turned 29 in June, says he plans to continue riding three more years.

Unless it is a time trial, of course, part of the final day of the race is traditionally given over to skylarking, and so it was Sunday. On the 182.5-kilometer trip from Bretigny-sur-Orge, the riders chatted and mugged for the television cameras.

They turned serious when Paris approached and, with it, the chance for the last piece of glory.

Johan Museeuw, a Belgian who rides for Lotto, won the last, mass sprint, finishing in a time of 4 hours, 53 minutes, 52 seconds. Second was Adriano Baffi, an Italian with Ariostea, and third was Olaf Ludwig, an East German with Panasonic.

LeMond did not bother to contest the final sprint and thus lost his chance to win a daily stage in this 77th Tour de France. Not often does a Tour winner not pick up a stage victory along the way.

All spring he was criticized for being out of condition and failing to appear in spring races while wearing the rainbow-striped jersey of the world champion. During the Tour, the criticism, mainly by some oldtimers, focused on his alleged lack of panache, or flair, in not winning a stage.

A typical comment came from Lucien van Impe, a Belgian who won the Tour in 1976.

"Greg is a very great racer," he said, "but he hasn't won a stage. He hasn't shown the panache of a Merckx or an Hinault."

Both of them have joined the occasionally public complaint as have many veteran journalists, who like to see panache, especially in others.

In rebuttal, LeMond pointed out in a news conference after Saturday's stage that he finished second in the two biggest mountain stages, at Alpe d'Huez and Luz Ardiden.

"I think I've dominated this race from start to finish," he said. "If I had worried about individual stage victories, it's possible I would have lost the Tour de France."

He finished fifth in both the overall points competition and the mountain competition, ranking among the first 10 in the combativity competition.

"Panache, panache!" he snorts. "It's a race of tactics, not panache."

LeMond demonstrated that point when he muscled aside Chiappucci in the showdown time trial Saturday to take the yellow jersey for the first time.

He made up a five-second deficit to finish 2 minutes, 21 seconds ahead of the Italian.

He finished fifth overall in the race against the clock around a 45.5-kilometer course near the Lac de Vassivière outside Limoges.

LeMond won the 1989 Tour by 8 seconds when he made up a 50-second deficit in a time trial on the final day. He refused to compare the two races.

"All Tours are different, tactically and in many other ways," he said.

Breukink won the stage by finishing in one hour, 2 minutes, 40 seconds. Next was his PDM teammate, Raul Alcala, a Mexican, who trailed by 28 seconds. Then came Marino Lejarreta, a Spaniard with ONCE, 38 seconds behind Breukink, with Miguel Indurain, a Spaniard with Banesto, fourth, 40 seconds behind.

LeMond was fifth, 57 seconds behind, and Chiappucci was 17th, 3:18 back.

Starting three minutes behind LeMond, the Italian trailed him by increasingly large margins at every checkpoint.

At kilometer 10, LeMond was clocked in 14 minutes, 2 seconds, and Chiappucci in 14:13. At kilometer 22, LeMond passed in 29:56 and Chiappucci in 30:27, a difference of 31 seconds. At kilometer 33, it was LeMond in 43:10 and Chiappucci in 44:27, or 1:17 behind.

When LeMond reached the finish, Chiappucci was three kilometers down the course and trailing badly. As the Italian fell six seconds behind LeMond in any possible finish, the news was relayed to the American, who giggled nervously to hear that he was leading the Tour for the first time since it started June 30.

The next day, Chiappucci was part of a four-man breakaway that gained 10:35 over the rest of the 198-man field, including LeMond and all other early favorites.

The American had been whittling away at that lead ever since.

Sounding more than a mite defensive on Saturday, LeMond used the news conference to answer his critics.

"There are always people who aren't happy with how you ride and when you ride," he said.

He alluded to those who have been pointing out that he missed all the World Cup classics, or one-day races, this spring. He had been sick and out of condition after a winter spent looking after commercial interests in the United States rather than training.

"I could ride every race in the world and give half my salary to the poor and I'd still be criticized," he responded. "There's always that 20 percent who criticize."

Prominent among them has been Merckx, the Belgian who dominated the sport in the late 1960s and 1970s while competing from February to October.

Nicknamed "the Cannibal" because of his voracious appetite for victory, Merckx now manufactures bicycles in Belgium and often takes potshots at today's riders.

"I think I'm as good in the Tour de France as Merckx was," LeMond concluded.

He got no argument from Luis Ocana, who long competed against Merckx and won the 1973 Tour.

"Is LeMond a great champion?" said Ocana, repeating a question a few days ago. "Good God, I think yes. If he isn't a great rider, what are the others? He's got it all: character, panache and the victories. He's won two world championships and two Tours de France. What more can anybody want?"

Make that three Tours de France now, and counting.



By Lionel Cironneau/The Associated Press

A victorious Greg LeMond on Sunday after he joined cycling's elite by winning the Tour a third time.

SIDELINES

Rose Is to Serve Sentence in Illinois

CINCINNATI (AP) — The federal judge who sentenced Pete Rose to five months in an unfinished prison facility in Kentucky has changed his recommendation and assigned the former baseball star to a prison camp adjacent to the U.S. penitentiary in Marion, Illinois.

Judge S. Arthur Spiegel of U.S. District Court said Friday he had designated the Kentucky facility because the federal Bureau of Prisons had told him it would be open by the end of the month. The facility is not expected to be finished for at least three months, a bureau spokesman said.

Rose will be allowed to report to the Illinois facility as soon as he receives permission from the doctor who operated Friday on his knee, but he must be there by Aug. 10. He was sentenced to five months in a federal prison, three months in a Cincinnati halfway house, and 1,000 hours of community service for failing to report income on his tax returns.

Ivanisevic Triumphs in Stuttgart

STUTTGART (AP) — Goran Ivanisevic of Yugoslavia defeated Guillermo Pérez-Roldan of Argentina, 6-7, 6-1, 6-4, 7-6, to capture his first major tournament title at the ATP Mercedes Cup tennis tournament here Sunday.

Ivanisevic, 18, gained the advantage when Pérez-Roldan, 20, began to tire in the heat, and took the second and third sets easily. The two players traded breaks in the early games of the fourth set. Pérez-Roldan nearly pushed the match into a fifth set, but Ivanisevic survived two set points on his serve in the 12th game to force a tiebreaker, which he dominated.

It was Ivanisevic's first competition since Wimbledon, where he became the first unseeded player in four years to reach the semifinals. He also ousted Boris Becker in the first round of the French Open.

Sanders Posts Bond in Assault Case

HOUSTON (AP) — Ricky Sanders, wide receiver for the Washington Redskins, posted $5,000 bond Saturday on charges of attempted murder and aggravated assault, the authorities said.

The charges came in connection with Sanders's alleged attack on a parking attendant at a bar here in May. Sanders was accused of running over the attendant after an argument over the whereabouts of his car's hubcaps, according to a Houston police spokesman, Richard Retz. Sanders allegedly claimed the hubcaps had been stolen while he was in the bar, but the management claimed they were missing when he arrived.

"He got in his vehicle and then he ran over the valet parking attendant," Retz said. The attendant apparently was knocked to the ground and suffered several unspecified injuries.

All Blacks Trounce Australia, 21-6

CHRISTCHURCH, New Zealand (AFP) — A three-test series against New Zealand began badly for Australia's national rugby squad on Saturday, with the All Blacks cruising to a 21-6 victory. They scored four tries and allowed none. *(See Scoreboard.)* The second test is Aug. 4 in Auckland.

In Argentina, where England starts a two-test series on July 28, the English were upset by Buenos Aires on Saturday, 26-23. They have now lost two of their first three preliminary matches.

Who Lost? Mystery Boxer Surfaces

PENSACOLA, Florida (AP) — Tony Waddles, who works in a car dealership in Norman, Oklahoma, says he was the mystery boxer who was knocked out by Roy Jones Jr., an Olympic silver medalist, here last Saturday.

Jones thought he had knocked out Derwin Richards of Houston at 2:02 of the first round in the junior middleweight bout. But Richards said he was not the boxer who fought Jones, and Florida state boxing officials began an investigation. On Friday, Waddles told the Pensacola News Journal that he had been recruited for the fight by an Oklahoma City fight manager, Elvis Belt. He said Belt told him he would take care of everything, including signing the fight documents.

But Tommy Griggs, an accountant employed by Square Ring Inc., the company that promoted the fight, said he saw Waddles sign a settlement sheet and endorse a $1,960 check for his purse with Richards's signature.

Goodwill Opener: Breaststroke Mark Set

By Christine Brennan
Washington Post Service

SEATTLE — Mike Barrowman of the United States broke his 200-meter breaststroke world record by more than a second on the opening day of the Goodwill Games.

Barrowman came from behind on Friday to defeat Kirk Stackle of the United States and Sergio Lopez of Spain and win the gold medal in 2 minutes, 11.53 seconds. Stackle and Lopez tied for the silver medal in 2:12.24, which also broke Barrowman's previous world mark of 2:12.89.

"This was my first meet back after a long, hot summer of work," said Barrowman, a senior at the University of Michigan. "I was more out to prove to myself I could do it again after a year off. I think the pressure's a little off now."

Barrowman's feat overshadowed the opening medal competition of the Games, the 50-meter freestyle race between Olympians Matt Biondi and Tom Jager, the two fastest swimmers in history. Just as he did at the 1988 Olympics in Seoul, Biondi upset Jager in 22.10 seconds. Jager was timed in 22.31.

The 200-meter breaststroke marks the sixth consecutive competition in which Barrowman has broken either a national or world record. The U.S. record-holder since the summer of 1988, Barrowman has held the world record for a year.

He was expected to win a medal, perhaps gold, in the 1988 Olympics, but did not swim well, finishing a disappointing fourth.

From that moment, Barrowman has made it his quest to make up for that performance.

■ Evans's Streak Stopped

Four years of swimming supremacy ended Saturday for Janet Evans, when Summer Sanders, another American, upset her in the 400-meter individual medley, one of three races Evans won at the 1988 Summer Olympics, The Associated Press reported.

Evans had not lost the 400-meter medley since the 1986 U.S. championships, and had not lost any of her specialty events since 1987. Still to come on her Goodwill Games schedule are the 400-meter and 1,500-meter freestyles.

The Goodwill Games officially opened with welcoming ceremonies Saturday night, highlighted by rap music, the Soviet Union's Vladimir Chamber Choir and greetings from former President Ronald Reagan.

The ceremony, produced at a cost of $1.2 million and starring more than 2,000 performers, was attended by more than 70,000 people.

Track and field awarded its first gold medal to Dave Mora, who came out of nowhere to win a marathon that included a nowhere field.

The big track showdown — between Carl Lewis and Leroy Burrell — will come on Monday. Lewis, the world record-holder in 100 meters, and Burrell have been the best sprinters in the world this year.

Evans was beaten handily by Sanders, 17, who was swimming in her first major international meet. Sanders took a big lead at the beginning, in the butterfly portion of the medley, and held on to win in 4 minutes, 39.22 seconds, the best time in the world this year.

Nicole Haislett of the United States won the women's 100-meter freestyle in 55.97, Melvin Stewart of the United States won the men's 200-meter butterfly in 1:57.05, and Jörg Hoffman of East Germany took the 800-meter freestyle in 7:54.73.

East Germany won the women's 4x200-meter relay, with Evans and the Americans second, while the United States won the men's 4x100-meter relay. Biondi anchored the men's relay, winning his second gold medal.

The American men followed their second-place success in the team gymnastics competition Friday by winning a bronze medal in the all-around individual event Saturday.

Mora took the marathon lead from Thomas Roberte Naali of Tanzania between miles 21 and 22 and won only the second marathon he had ever run. His time was 2:14:49.27.



Robert Sullivan/Agence France-Presse

Mike Barrowman's "long, hot summer of work" paid off.

For the Record

Steve Backley of Britain broke the 90-meter (294-feet) barrier and recaptured the world javelin record on Friday with a throw of 90.98 meters at the London grand prix athletics meeting. *(Reuters)*

Christophe Tiozzo of France retained his World Boxing Association super-middleweight title on Friday, stopping Paul Whittaker of the United States in the eighth round in Arles, France. *(AFP)*

Rich Vogler was killed Saturday night in an accident that occurred soon before he would have won a U.S. Auto Club sprint race at the Salem Speedway in Salem, Indiana. Vogler, running in first place at a speed of more than 100 mph (about 160 kph), crashed coming out of turn four in the 30th and final lap of the race. *(UPI)*

Guy Renard of Belgium was killed Sunday in the 24-hour endurance race for tourism cars after his Toyota Coralla crashed into the railings before it was hit by other cars and exploded in a ball of fire in Spa-Francorchamps, Belgium. The other drivers were not injured. *(AP)*

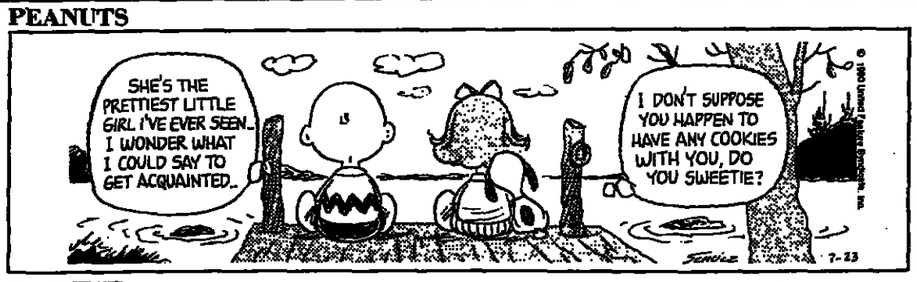
World Cup skiing races postponed twice by a lack of snow are set to take place on Aug. 6-9, race organizers said Sunday. The races, New Zealand's first World Cup event and the first of the 1990-91 season, will be held in the Mount Hutt ski area on the country's South Island. *(AP)*

DENNIS THE MENACE

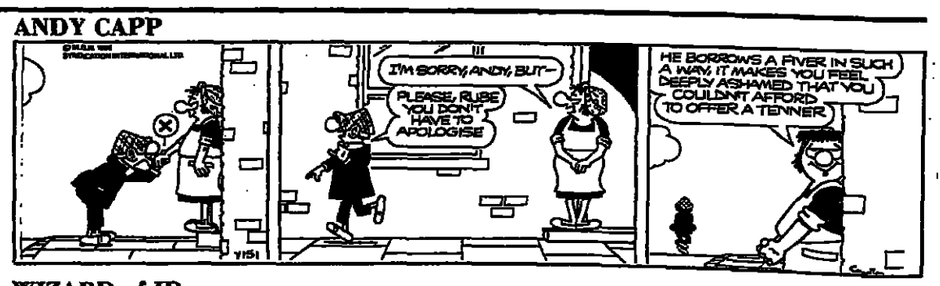


"I THINK I SAW AN INVISIBLE MAN TODAY, BUT I'M NOT SURE."

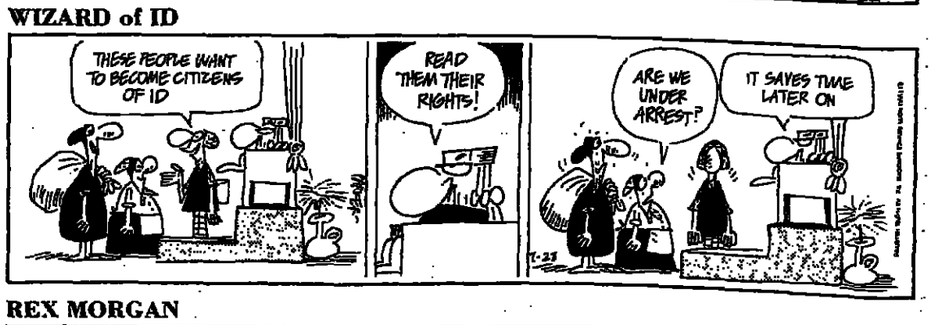
PEANUTS



ANDY CAPP



WIZARD of ID



JUMBLE. THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

CLOIG

TOOBA

ASANUE

PHISBO

Keep this in confidence...



Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: (Answers tomorrow)

Saturday's Jumbles: CAPON ENTRY MUSLIN DRUDGE
Answer: He doesn't understand that his wife does — UNDERSTAND HIM

BLONDIE



BEETLE BAILEY



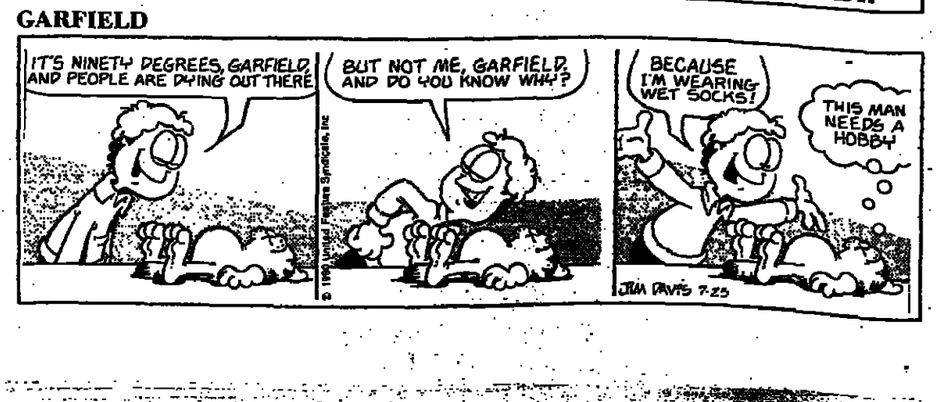
REX MORGAN



DOONESBURY



GARFIELD



PERSONAL INVESTING
IN THE IHT THE SECOND MONDAY OF EACH MONTH. EDITED FOR THE SOPHISTICATED INVESTOR — AN ESSENTIAL GUIDE TO OPPORTUNITIES AND PITFALLS — WORLDWIDE

MONDAY SPORTS

Braves Topple Mets With Sacrifice Fly In 10th Inning, 3-2

Compiled by Our Staff From Dispatches

Dale Murphy's sacrifice fly in the 10th inning gave the Atlanta Braves a 3-2 victory over the Mets in a rain-fouled game Sunday in New York.

Ron Gant opened the 10th with a walk off reliever Jeff Innis and moved to third on Jim Presley's single to left. Murphy followed with a hard fly to left field.

Center fielder Mark Carreon had trouble with his footing on Lonnie

BASEBALL ROUNDUP

Smith's leadoff triple to right-center in the first inning. With Jeff Blauser batting, Gooden lost his footing on a 2-1 delivery and Randy Hundley was charged with a passed ball.

Gant led off the third with an infield single on the wet turf, stole second, moved to third on a grounder and scored when Gooden threw a wild pitch.

The Mets tied the score in the fourth off Glavine on Kevin McReynolds' two-out RBI double and Howard Johnson's run-scoring single. On McReynolds' double, Smith lost his footing in left field and the ball sailed over his head.

Pirates 11, Dodgers 6: In Pittsburgh, Gary Redus hit a grand slam, Rafael Belliard had a three-run double and Pittsburgh turned five walks into runs to rally past Los Angeles.

Cubs 4, Giants 2: Joe Girardi doubled home the tie-breaking run with two outs in the eighth to lead Chicago to a sweep of the three-game series at home. It was the seventh straight victory for the Cubs.

Phillies 6, Reds 2: In Cincinnati, Ricky Jordan hit a three-run double in the fifth to lift Philadelphia. Scott Scudder opened the inning by walking Len Dykstra. Two outs later, Von Hayes was intentionally walked, and Scudder walked Randy Ready on a full-count pitch. Jordan then drove a ball to deep center field.

Cardinals 6, Padres 4: In St. Louis, Tom Pagnozzi's two-run double capped a three-run rally in the seventh as St. Louis handed San Diego its seventh straight loss.

Astros 3, Expos 2: In Houston, Franklin Stubbs' bunt single scored the go-ahead run with two outs in the eighth. Eric Yelding reached on a forceout, stole second and stole third on ball four to Javier Ortiz. Stubbs bunted down the third-base line on the first pitch from Dave Schmidt and easily beat the throw.

Orioles 9, White Sox 3: The Orioles completed a four-game sweep of the White Sox in Baltimore as Randy Milligan went 4-for-4 with a home run to help his team to its 11th victory in 14 games.

Yankees 10, Twins 6: In Minneapolis, Gary Gaetti and Kent Hrbek made errors that led to a five-run ninth inning as the New York Yankees scored 10 unearned runs to topple Minnesota. The Twins made five errors in all and each team came from behind twice.

In games played Saturday:

Ben McDonald, the 1989 No. 1 draft pick, turned his first start for Baltimore Orioles into a four-hit shutout of the Chicago White Sox, 2-0. The right-hander struck out five, issued only one walk and retired the last 16 batters in a remarkable 85-pitch performance.

Chicago's Jack McDowell made it a night for pitchers, recording a career-high 10 strikeouts and retiring the last 14 Orioles in his third major-league complete game.

Neither team had a base runner after McDowell walked Mike Devereaux with one out in the fourth.

Blue Jays 2, Athletics 1: George Bell and Pat Borders each had solo homers and Dave Steib defeated Oakland for the second time this season with a five-hitter in Oakland, California.

Twins 2, Yankees 1: In Minneapolis, Mark Guthrie allowed four hits in 7⅔ innings, winning a duel with Jeff Robinson, who pitched his first complete game in six years.



Jim Mone/The Associated Press

Yankee Jim Leyritz was hit twice by the Twins' Allan Anderson.

Guthrie retired 18 of 19 batters before Alvaro Espinoza hit an inside-the-park homer with two outs in the eighth.

Tigers 8, Rangers 1: In Arlington, Texas, Cecil Fielder hit a three-run homer in the first inning, his 31st this season, and Gary Ward hit a three-run homer in the seventh.

Brewers 10, Mariners 3: Greg Vaughn homered twice and drove in a career-high six runs in Milwaukee. He hit a two-run homer in the fourth off Erik Hanson, an RBI double in the sixth and a three-run homer in the seventh.

Angels 5, Indians 2: In Anaheim, California, Jack Howell hit his sixth home run of the season in the fifth to end a 2-for-23 slump. Steve Olin walked Brian Downing with the bases loaded in the sixth to put California ahead, 3-1.

Royals 4, Red Sox 2: In Kansas City, Missouri, pinch-hitter Mike Macfarlane hit a two-run, go-ahead double as Kansas City rallied for three runs in the eighth inning. The Red Sox led, 2-1, going to the eighth, but Jeff Reardon gave up an RBI double to Pat Tabler on his first pitch and Macfarlane doubled to the top of the left-field wall.

Dodgers 6, Pirates 0: In Pittsburgh, Tim Belcher pitched his first career one-hitter, facing the minimum number of batters, and Juan Samuel homered. Belcher gave up only Jay Bell's one-out single in the fourth inning.

Cubs 5, Giants 4: In Chicago, a balk by San Francisco's Jeff Brantley and an error by shortstop Jose Uribe in the eighth inning allowed the tying and winning runs to score for Chicago's sixth straight victory.

Reds 6, Phillies 1: Eric Davis's 13th homer this season broke a sixth-inning tie in Cincinnati, and the Reds scored four runs in the seventh.

Mets 4, Braves 2: Darryl Strawberry hit a three-run homer in the first inning in New York, and Ron Darling won for the first time since June 13. While the Mets managed only four hits, it was enough for their 23d victory in 30 games.

Expos 3, Astros 2: Tim Raines's run-scoring single with two outs in the eighth in Houston ended Montreal's five-game losing streak.

Cardinals 4, Padres 2: Pedro Guerrero drove in three runs with a homer and a single in a rain-shortened game that brought San Diego its sixth straight loss. *(WP, AP)*

Faldo Holes His 2d British Open

Englishman Fends Off Rally By Stewart to Win by 5 Shots

By Sally Jenkins
Washington Post Service

ST. ANDREWS, Scotland — There was no better place to name the preeminent golfer than The Old Course, so steeped in history and sentiment, and in this case running with beer and song for an Englishman.

Nick Faldo took his place here Sunday with an unfaltering certain-

BRITISH OPEN GOLF

ty, staring off a challenge from Payne Stewart of the United States to win the British Open by five strokes.

They hung from the balconies, roofs and lampposts, a chanting golf riot as Faldo of England strode up the 18th fairway of par-72 St. Andrews. His final round of 71 for a total of 18-under-par 270 was more of an anointing, this working man's son acclaimed as the greatest player in the world, on the oldest course.

He began the day with a five-stroke lead and no one could loosen his grip on the silver claret jug, which he won for the second time in his career.

"When I first started playing, and you are on the putting green facing a 10-foot putt, you say this is to win the Open," Faldo said. "And St. Andrews is the ultimate place."

Stewart cut Faldo's lead to just two strokes through 12 holes. But he drove into a bunker on the 13th to end his surge, and then bogeyed the last two holes for a 71 and total of 275.

He tied there with Mark McNulty of Zimbabwe, who shot a 65 for his highest finish ever in a major championship.

"Nick wasn't going to make any mistakes," Stewart said. "I played a good game but not good enough. He simply played too well."

The last holes were thus left solely to Faldo, 33, and his vociferous countrymen, who knew full well the significance of the victory, his fourth major championship. He won the British Open in 1987.

The total of 270 was a record, the previous low Tom Watson's of 271 at Muirfield in 1980. The 18-under also shattered Watson's mark of 13-under-par.

The two-time defending Masters titlist, Faldo is the first man to win two major championships in a season since Tom Watson captured the U.S. and British Opens in 1982.

Faldo missed making a playoff at the U.S. Open by just a stroke and a lipped-out putt on the 18th hole. Shortly after that tantalizing failure at Medinah in Chicago, Faldo began dreaming about the British Open.

One night he dreamed he led by five strokes after three holes. In another, he had a four shot lead on the last hole.

"I had some crazy dreams," he said. "I thought, right, I am going to win the Open."

This season in particular, with his two firsts and a third in the U.S. Open, has established Faldo incontrovertibly as the dominant player of his generation.

"Wouldn't you say he's the best player in the world?" Stewart asked.

He has surpassed Curtis Strange and Seve Ballesteros, who both missed the 36-hole cut. And whoever else you'd care to mention, including Greg Norman of Australia.

Faldo may have won this title as much on Saturday, with his 65 to burst out of a tie with Norman, as he did Sunday with his 1-under round. He scathed the course to take his five stroke lead while Norman quailed with a third round of 76. Norman's 69 on Sunday included a lengthy birdie putt on the final hole for a total of 11-under 277, but it was far too little and too late.

Norman's demise meant there was just one player of any standing between Faldo and the trophy — Stewart.

Stewart showed he was capable of making up ground in a final round with his victory at the PGA, when he made up six strokes to win. He set out to shoot 64 on Sunday and was 4-under through 12 holes.

"I had the right number," Stewart said. "I just didn't do it."

For several holes it was a contest. Faldo birdied the first hole with a wedge to two feet (60 centimeters). His intention was to birdie the first three and slam the door, but he never got as close to the flag again.

He swapped a bogey and a birdie on the fourth and fifth, and then had to content himself with the monotonous, relentless pars. Watching the leaderboard and Stewart just a hole ahead of him, his collar couldn't help but tighten.

Stewart birdied the par-5 fifth and the par-4 sixth, drilling a 20-foot putt at the latter to move 14-under. He just missed a 15-footer at the ninth. At the reachable, 342-yard 10th, he drove the fringe of the green and curled a 35-foot eagle attempt to three feet, then made the short birdie.

At the 172-yard, par-3 11th, Stewart made a spectacular save of par. He overclubbed, his iron bounding into the shadows of the grandstand. But he laid a wedge to eight feet and sank the putt.

At the 12th, a par-4 of 316 yards, he dropped another wedge eight feet away, this time for a birdie. At 16-under to Faldo's 18-under, it was suddenly a tournament.

But Stewart promptly stepped up the 13th tee, overlooking a par-4 of 425-yards, and drove into the famed Coffin Bunkers to the right. He could not make the green or save par, missing a 20 foot putt. It was the first bunker he had been in all week.

"It took the wind out of my sails," he said. "I had been on a roll. It came at a bad time."

That was all Faldo needed, because he simply does not fold.

He landed in just one bunker for the tournament and never three-putted. His last birdie, with a 6-iron to eight feet at the 413-yard 15th, gave him a four stroke lead with three to play.



David Brauchli/Reuters

Nick Faldo said he had it "nice and easy" after he fended off a strong challenge by Payne Stewart of the United States, whose Stars and Stripes motif didn't rescue him from three late bogeys. Faldo's round of one-under-par 71, with three birdies, gave him an 18-under total of 270, just two shots shy of the tournament record.



David Brauchli/Reuters

For (Ice Bag?) Ryan, 299 Victories and Counting

By Ira Berkow
New York Times Service

ARLINGTON, Texas — It seemed odd. When Nolan Ryan of the Texas Rangers hobbled out of the trainer's room in Arlington Stadium on Friday night with an ice bag taped around his right ankle and was met by a group of mostly local reporters, all of them asked about his back.

To the casual observer, one admittedly not conversant with the entire Hippocratic canon, it seemed that the ankle, the one the pitcher was dragging like a bedpost from trainer's room to locker room, should have been the focus of medical concern.

Or at least his arm, that elderly but still prodigious arm. A lot of pitchers walk around after games with their shoulder or elbow encased in ice. Rarely their ankle.

Ryan, the 43-year-old pitching phenom, had just registered the 299th victory of his 24-year major-league career. But he had been taken out of the game against Detroit in the seventh inning.

He was lifted immediately after having walked the first batter on four pitches in the seventh inning. He left with a 5-0 lead, wound up a 5-3 victor and increased his season record to 10 victories against 4 losses, including five victories in a row in his last five decisions.

And, yes, it had been announced during the contest that the cause of Ryan's removal was a tightness in his lower back, a problem he's been suffering with in recent weeks. The back, in fact, appeared fine. Even Ryan concurred.

It turned out that icing his ankle is a routine Ryan has followed after every outing for the last two years to keep a troublesome Achilles's tendon from acting up.

But the back remains a problem. Ryan was removed from the game a week ago Saturday in Detroit, in almost an identical circumstance. He had been sailing along when out of the blue his back tightened up. But five days later, he took his turn in the Rangers' pitching rotation.

In mid-May, it was worse. Ryan was placed on the disabled list for three weeks with a stress fracture of his back.

Since his return, he has won five of seven starts, including the sixth no-hitter of his career, against the Oakland Athletics, just five days after returning from the disabled list.

And with his four strikeouts against Detroit on Friday, he increased his career-leading total to 5,202 and moved into the American League lead in that department for this season with 126, one ahead of Roger Clemens of Boston.

"The back," Ryan said Friday night, "it's feeling O.K."

"But I don't anticipate the back causing me big problems," he said.

Will he be able to pitch against the Yankees on Wednesday night, someone asked. "I'm sure I will," Ryan said.

That will be the game in which Ryan attempts to become only the 20th pitcher to win 300 major league games (he has lost 267).

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Toronto	51	43	.543	—
Boston	50	43	.538	½
Baltimore	45	48	.484	5½
Cleveland	44	48	.478	6
Detroit	45	50	.474	6½
Milwaukee	42	49	.462	7½
New York	33	57	.367	16

West Division

	W	L	Pct.	GB
Oakland	58	35	.624	—
Chicago	54	35	.607	2
Seattle	48	47	.505	11
California	47	47	.500	11½
Texas	45	48	.484	13
Minnesota	45	49	.479	13½
Kansas City	42	50	.457	15½

NATIONAL LEAGUE

East Division

	W	L	Pct.	GB
Pittsburgh	54	36	.600	—
New York	53	36	.596	½
Montreal	51	43	.543	5
Philadelphia	44	46	.489	10
Chicago	42	52	.447	14
St. Louis	40	53	.440	15½

West Division

	W	L	Pct.	GB
Cincinnati	58	32	.644	—
San Francisco	49	43	.533	10
Los Angeles	45	46	.495	13½
San Diego	38	52	.422	20
Houston	39	54	.419	20½
Atlanta	35	55	.389	23

Friday's Line Scores

AMERICAN LEAGUE

(First Game)

Boston 000 000 000—0 3 2
Kansas City 020 000 03x—5 10 0

Clemens, Murphy (8), Je.Reed (8) and Pena; Appier and Macfarlane. W—Appier, 5-3. L—Clemens, 12-5.

(Second Game)

Boston 000 000 210—3 5 0
Kansas City 000 000 001—1 7 2

Klecker, Reardon (9) and Marzano; Aquino and Palacios. W—Klecker, 3-4. L—Aquino, 4-1. Sv—Reardon (18). HR—Boston, Greenwell (4).

New York 000 000 001—1 4 1
Minnesota 000 100 001—2 8 0

LaPoint and Geren; Anderson and Ortiz. W—Anderson, 4-12. L—LaPoint, 5-7. HR—New York, Balboni (10).

Chicago 200 000 000 0—2 5 1
Baltimore 000 000 200 1—3 5 0

(10 innings)

King, B.Jones (8), Thigpen (10) and Fisk; Milacki, Williamson (8) and Melvin. W—Williamson, 8-1. L—Thigpen, 4-4. HR—Chicago, Ventura (4).

Detroit 000 000 300—3 4 0
Texas 121 100 00x—5 11 0

Searcy, Schwabe (3), Parker (7) and Heath; Ryan, Barfield (7), McMurtry (7), Arnsberg (7), Rogers (8) and Stanley, Petralli (9). W—Ryan, 10-4. L—Searcy, 1-1. Sv—Rogers (9). HR—Texas, Buechele (4).

Seattle 200 200 002—6 11 0
Milwaukee 102 000 010—4 10 0

Swift, M.Jackson (7), Comstock (8), Schooler (9) and Bradley; Bosio, Mirabella (7), Veres (8), Plesac (9) and Surhoff. W—Comstock, 5-2. L—Veres, 0-2. Sv—Schooler (25). HRs—Seattle, A.Davis (8). Milwaukee, Parker (13).

Cleveland 012 010 000—4 12 2
California 311 004 00x—9 13 1

Black, Olin (6), Seanez (8) and Alomar, Skinner (8); Blyleven, Fetters (6) and Parrish, Tingley (8). W—Blyleven, 8-5. L—Black, 8-5. Sv—Fetters (1). HR—California, Stevens (1).

Toronto 300 122 000—8 11 0
Oakland 012 100 011—6 10 0

Cerutti, Acker (7), Henke (9) and Borders; Young, Burns (5), Harris (7) and Quirk. W—Cerutti, 6-6. L—Young, 5-4. Sv—Henke (18). HRs—Toronto, Gruber (21). Oakland, D.Henderson (15), J.Canseco 2 (28).

NATIONAL LEAGUE

San Francisco 003 000 100—4 8 2
Chicago 002 010 002—5 13 0

Burkett, Hammaker (6), Brantley (8) and Manwaring, Kennedy (8); S.Wilson, Bielecki (7) and Girardi. W—Bielecki, 4-8. L—Brantley, 2-2.

Philadelphia 000 001 000—1 2 1
Cincinnati 000 221 00x—5 8 0

Parrett, Cook (6), Carman (6) and Lake, Daulton (6); Charlton, Dibble (7) and J.Reed. W—Charlton, 8-4. L—Parrett, 3-8. Sv—Dibble (8). HR—Philadelphia, Hollins (4).

Los Angeles 000 000 200—2 6 2
Pittsburgh 220 000 00x—4 6 0

Morgan, Searage (6), Gott (8) and Scioscia; Walk, Belinda (7), Ruskin (8), Power (9) and LaValliere. W—Walk, 5-4. L—Morgan, 8-8. Sv—Power (5). HR—Los Angeles, Daniels (14).

Atlanta 000 000 010—1 4 0
New York 300 000 00x—6 14 0

Avery, Luecken (6), Grant (8), Hesketh (8) and Olson; Fernandez, Pena (8) and Mercado, Sasser (8). W—Fernandez, 6-6. L—Avery, 1-4. Sv—Pena (3). HR—Atlanta, Thomas (4).

San Diego 000 010 100—2 6 1
St. Louis 001 000 00x—4 10 0

Whitson, G.Harris (8) and Parent; Tudor, Le.Smith (8) and Zeile. W—Tudor, 3-3. L—Whitson, 7-7. Sv—Le.Smith (13). HR—San Diego, Ja.Clark (14).

Montreal 000 000 006—6 10 0
Houston 361 000 02x—12 11 0

Ke.Gross, Hall (1), Mahorcic (4), Burke (7), Da.Martinez (8), Noboa (8) and Goff; Darwin, Clancy (8), Schatzeder (9) and Gedman, Trevino (9). W—Darwin, 4-1. L—Ke.Gross, 8-6.

Saturday's Line Scores

AMERICAN LEAGUE

Toronto 000 011 000—2 3 1
Oakland 000 000 010—1 6 1

Stieb, Henke (9) and Borders; Sanderson, Honeycutt (9) and Hassey. W—Stieb, 12-3. L—Sanderson, 11-6. Sv—Henke (19). HRs—Toronto, Bell (18), Borders (11).

Chicago 000 000 000—0 4 0
Baltimore 020 000 00x—2 5 0

McDowell and Karkovice; McDonald and Melvin. W—McDonald, 1-0. L—McDowell, 5-5.

New York 000 000 010—1 4 0
Minnesota 100 100 00x—2 7 0

J.D. Robinson and Geren; Guthrie, Aguilera (8) and Harper. W—Guthrie, 3-2. L—J.D. Robinson, 2-6. Sv—Aguilera (23). HR—New York, Espinoza (2).

Detroit 310 100 300—8 10 0
Texas 000 010 000—1 2 0

Petry, Gibson (9) and Heath; Jeffcoat, Moyer (2), McMurtry (8) and Petralli. W—Petry, 7-6. L—Jeffcoat, 3-5. HRs—Detroit, Fielder (31), Ward (5).

Seattle 000 010 200—3 11 0
Milwaukee 000 403 30x—10 16 0

Hanson, Knackert (4) and Valle, Sinatro (8); R.Robinson, Edens (6), Mirabella (7), Crim (7), Veres (7) and Surhoff. W—R.Robinson, 4-1. L—Hanson, 10-8. Sv—Veres (1). HRs—Seattle, Briley (3). Milwaukee, Vaughn 2 (10).

Cleveland 001 000 001—2 7 1
California 000 111 02x—5 8 0

M.Walker, Olin (6), Orosco (8) and Skinner; Finley and Schroeder. W—Finley, 13-4. L—M.Walker, 0-1. HRs—Cleveland, Webster (7). Maldonado (15). California, Howell (6), Venable (3).

Boston 010 001 000—2 9 2
Kansas City 100 000 03x—4 11 0

Gardner, Murphy (7), Reardon (8) and Pena; Filson, Farr (7), Montgomery (9) and Boone, Palacios (8), Macfarlane (9). W—Farr, 7-4. L—Reardon, 3-3. Sv—Montgomery (12).

NATIONAL LEAGUE

San Francisco 100 000 010—2 9 1
Chicago 000 001 02x—3 9 0

Garrelts, Brantley (8), Bedrosian (8) and Kennedy, Manwaring (8); Harkey and Girardi. W—Harkey, 8-4. L—Brantley, 3-3. HR—Chicago, Sandberg (25).

Philadelphia 001 000 000—1 4 2
Cincinnati 000 101 40x—6 12 0

Mulholland, Akerfelds (7), Freeman (8) and Daulton; Rijo, Mahler (7) and Oliver. W—Rijo, 6-3. L—Mulholland, 4-4. Sv—Mahler (2). HR—Cincinnati, E.Davis (13).

Los Angeles 200 000 022—6 10 0
Pittsburgh 000 000 000—0 1 0

Belcher and Dempsey; Heaton, Patterson (7), Landrum (9) and LaValliere. W—Belcher, 8-7. L—Heaton, 10-6. HR—Samuel (7).

Atlanta 100 001 000—2 7 2
New York 300 010 00x—4 4 0

Clary, Hesketh (5), Grant (7), Mercker (8) and Kremers; Darling, Whitehurst (7), Franco (9) and Hundley. W—Darling, 3-5. L—Clary, 1-7. Sv—Franco (21). HRs—Atlanta, Gant (20), Presley (15). New York, Strawberry (24).

Montreal 200 000 010—3 6 0
Houston 020 000 000—2 8 2

Z.Smith, Burke (8) and Fitzgerald; Portugal, Andersen (7), Agosto (8) and Nichols. W—Z.Smith, 6-7. L—Agosto, 4-4. Sv—Burke (12).

San Diego 002 000 00—2 8 1
St. Louis 102 001 0x—4 9 1

(7 innings)

Show, Rodriguez (6) and Lampkin; Tewksbury, Niedenfuer (6), DiPino (7) and Zeile. W—Tewksbury, 5-2. L—Show, 1-8. Sv—DiPino (2). HR—St. Louis, Guerrero (10).

Japanese Leagues

Central League

	W	L	T	Pct.	GB
Yomiuri	51	31	0	.622	—
Taiyo	39	38	2	.506	9½
Hiroshima	37	38	1	.493	10½
Chunichi	39	41	1	.488	11
Yakult	35	43	0	.449	14
Hanshin	35	45	0	.438	15

Pacific League

	W	L	T	Pct.	GB
Seibu	50	22	3	.694	—
Orix	42	32	2	.568	9
Kintetsu	41	34	1	.547	10½
Nippon Ham	38	36	1	.514	13
Lotte	25	41	2	.379	22
Daiei	20	51	3	.282	29½

Saturday's Results

Yomiuri 8, Taiyo 2
Hanshin 3, Hiroshima 2
Chunichi 9, Yakult 7
Seibu 7, Nippon Ham 1
Orix 15, Daiei 2
Kintetsu 6, Lotte 5

Sunday's Results

Yomiuri 5, Taiyo 1
Hanshin 9, Hiroshima 8
Chunichi 3, Yakult 2
Seibu 1, Nippon Ham 1, 12 innings
Orix 11, Daiei 1
Kintetsu 6, Lotte 5

RUGBY

Rugby's Big Eight

Last 10 tests among the eight

	W	D	L	Tries
1. New Zealand	10	0	0	43
2. England	6	1	3	22
3. Scotland	6	1	3	20
4. Australia	4	0	6	25
5. France	4	0	6	19
6. Argentina	2	1	7	6
7. Ireland	2	0	8	12
8. Wales	1	0	9	9

SATURDAY'S RESULT

New Zealand 21, Australia 6

First half: Try by New Zealand hooker Sean Fitzpatrick, converted by flyhalf Grant Fox. Penalty goal by Australian flyhalf Michael Lynagh. Try by New Zealand center Craig Innes.

Second half: Try by New Zealand fullback Kieran Crowley. Penalty goal by Fox. Penalty goal by Lynagh. Try by New Zealand right wing John Kirwan.

Next Test

July 28, Buenos Aires: Argentina-England

CYCLING

Tour de France

Results Saturday from the 20th stage, a 45.5-kilometer (28.5-mile) individual time trial around Lac Vassiviere:

1. Eric Breukink, PDM, Netherlands, 1 hour, 2 minutes, 40 seconds; 2. Raul Alcala, PDM, Mexico, 28 seconds behind; 3. Marino Lejarreta, ONCE, Spain, 38; 4. Miguel Indurain, Banesto, Spain, 40; 5. Greg LeMond, Z, U.S., 57; 6. Pello Ruiz-Cabestany, ONCE, Spain, 1:28; 7. Dag-Otto Lauritzen, 7-Eleven, Norway, 2:01; 8. Pedro Delgado, Banesto, Spain, 2:21; 9. Philippe Louviot, Toshiba, France, 2:26; 10. Luc Leblanc, Castorama, France, 2:27; 11. Eduardo Chozas, ONCE, Spain, 2:27; Others: 17. Claudio Chiappucci, Carrera, Italy, 3:18.

Results Sunday from the 21st and final stage, a 182.5-kilometer (113.5-mile) leg from Bretigny sur Orge to Paris:

1. Johan Museeuw, Lotto, Belgium, 4 hours, 53 minutes, 57 seconds; 2. Adriano Baffi, Ariostea, Italy; 3. Olaf Ludwig, Panasonic, East Germany; 4. Djamolidine Abdushaparov, Alfa-Lum, Soviet Union; 5. Davis Phinney, 7-Eleven, U.S.; 6. Sean Kelly, PDM, Ireland; 7. Phil Anderson, TVM, Australia; 8. Jelle Nijdam, Buckler, Netherlands; 9. Adrie Van der Poel, Weinmann, Belgium; 10. Uwe Raab, Panasonic, East Germany, all same time.

Final Standings

1. Greg LeMond, Z, U.S., 90 hours, 43 minutes, 20 seconds; 2. Claudio Chiappucci, Carrera, Italy, 2:16 behind; 3. Eric Breukink, PDM, Netherlands, 2:29; 4. Pedro Delgado, Banesto, Spain, 5:01; 5. Marino Lejarreta, ONCE, Spain, 5:05; 6. Eduardo Chozas, ONCE, Spain, 9:14; 7. Gianni Bugno, Chateau d'Ax, Italy, 9:39; 8. Raul Alcala, PDM, Mexico, 11:14; 9. Claude Criquielion, Lotto, Belgium, 12:04; 10. Miguel Indurain, Banesto, Spain, 12:47; 11. Andrew Hampsten, 7-Eleven, U.S., 12:54; 12. Pello Ruiz-Cabestany, Spain, 13:13; 13. Fabio Parra, Kelme, Colombia, 14:35; 14. Fabrice Philipot, Castorama, France, 15:49; 15. Gilles Delion, Helvetia, France, 16:57.

TENNIS

MEN'S TOURNAMENTS

In Washington

Semifinals

Andre Agassi (1), U.S., def. Michael Chang (5), U.S., 6-3, 6-1; Jim Grabb (4), U.S., def. Brad Gilbert (2), U.S., 7-5, 0-6, 6-4.

Finals

Agassi def. Grabb, 6-1, 6-4.

In Stuttgart, West Germany

Semifinals

Goran Ivanisevic (10), Yugoslavia, def. Emilio Sanchez (3), Spain, 6-4, 6-4; Guillermo Perez-Roldan (9), Argentina, def. Henri Leconte (12), France, 6-7, (3-7), 6-3, 7-6 (7-5).

Finals

Ivanisevic def. Perez-Roldan 6-7 (2-7), 6-1, 6-4, 7-6 (7-5).

WOMEN'S TOURNAMENTS

In Newport, Rhode Island

Semifinals

Arantxa Sanchez Vicario (1), Spain, def. Gretchen Magers (5), U.S., 6-3, 6-2; Jo Durie, England, def. Anne Smith (7), U.S., 6-4, 6-1.

Finals

Sanchez Vicario vs. Jo Durie

Davis Cup

GROUP TWO ZONE FINALS
Saturday's and Sunday's Games

European Zone
In Warsaw
Poland 4, Norway 1

Bent Ove Pedersen and Anders Rolfsen, Norway, def. Wojtek Fibak and Wojtek Kowalski, Poland, 3-6, 6-3, 6-7 (2/7), 6-2, 6-4; Wojtek Kowalski, Poland, def. Christian Ruud, Norway, 6-2, 6-0, 6-0; Tomasz Iwanski, Poland, def. Bent Ove Pedersen, Norway, 1-6, 7-6 (7-4), 8-6.

African Zone
In Casablanca
Morocco 2, Zimbabwe 1

Karim Alami and Mohamed Ridaoui, def. Byron Black and Orlando Laurence, 6-4, 6-4, 7-6 (8-6).

Asia/Oceania Zone
In Bangkok
Thailand 3, Hong Kong 2

Rolf Harrison and Paul Lui, Hong Kong, def. Panomkorn Plaidchuanil and Vittaya Samrej, Thailand, 7-5, 6-3, 6-0; Vorapol Thongkamchu, Thailand, def. Mark Bailey, Hong Kong, 7-5, 3-6, 6-3, 6-2; Thanakorn Srichaphand, Thailand, def. Colin Grant, Hong Kong, 4-6, 7-5, 6-3, 6-1.

GOLF

British Open

Final scores and prize money Sunday from the 119th British Open, played on the 6,933-yard, par-72 Old Course at St.Andrews, Scotland (a-denotes amateur):

Nick Faldo, Britain, $153,858 67-65-67-71—270
Payne Stewart, U.S., $108,600 68-68-68-71—275
M.McNulty, Zimb., $108,600 74-68-68-65—275
Jodie Mudd, U.S., $72,400 72-66-72-66—276
Ian Woosnam, Britain, $72,400 68-69-70-69—276
I.Baker-Finch, Aus., $51,585 68-72-64-73—277
Greg Norman, Aus., $51,585 66-66-76-69—277
D.Hammond, U.S., $39,820 70-71-68-70—279
Steve Pate, U.S., $39,820 70-68-72-69—279
David Graham, Aus., $39,820 72-71-70-66—279
Corey Pavin, U.S., $39,820 71-69-68-71—279
P.Broadhurst, Britain, $29,639 74-69-63-74—280
Robert Gamez, U.S., $29,639 70-72-67-71—280
Tim Simpson, U.S., $29,639 70-69-69-72—280
Vijay Singh, Fiji, $29,639 70-69-72-69—280
Steve Jones, U.S., $20,181 72-67-72-70—281
Mark Roe, Britain, $20,181 71-70-72-68—281
Sandy Lyle, Britain, $20,181 72-70-67-72—281
J.Maria Olazabal, Spain, $20,181 71-67-71-72—281
P.Jacobsen, U.S., $20,181 68-70-70-73—281
F.Nobilo, N.Zealand, $20,181 72-67-68-74—281
Craig Parry, Aus., $14,359 68-68-69-77—282
James Spence, Britain, $14,359 72-65-73-72—282
E.Darcy, Ireland, $14,359 71-71-72-68—282
C.O'Connor Jr., Ire., $11,554 68-72-71-72—283
Jeff Sluman, U.S., $11,554 72-70-70-71—283
Lee Trevino, U.S., $11,554 69-70-73-71—283
Fred Couples, U.S., $11,554 71-70-70-72—283
Jose Rivero, Spain, $11,554 70-70-70-73—283
N.Price, Zimbabwe, $11,554 70-67-71-75—283
V.Fernandez, Arg., $9,276 72-67-69-76—284
Ben Crenshaw, U.S., $9,276 74-69-68-73—284
Bryan Norton, U.S., $9,276 71-72-68-73—284
Mark James, Britain, $9,276 73-69-70-72—284
M.McCumber, U.S., $9,276 69-74-69-72—284
Larry Mize, U.S., $9,276 71-72-70-71—284
Greg Powers, U.S., $9,276 74-69-69-72—284
Ronan Rafferty, N. Irl., $9,276 70-71-73-70—284
R.Floyd, U.S., $7,632 72-71-71-71—285
Andy North, U.S., $7,632 71-71-72-71—285
Naomichi Ozaki, Japan, $7,632 71-71-74-69—285
Don Pooley, U.S., $7,632 70-73-71-71—285
Sam Torrance, Britain, $7,632 68-70-75-72—285
Derrick Cooper, Britain, $7,632 72-71-69-73—285
Scott Simpson, U.S., $7,632 73-70-69-73—285
Mike Hulbert, U.S., $7,632 70-70-70-75—285
Mike Reid, U.S., $7,632 70-67-73-75—285
Paul Azinger, U.S., $6,733 73-68-68-77—286
Peter Fowler, Australia, $6,733 73-68-71-74—286
Mark O'Meara, U.S., $6,733 70-69-73-74—286
B.Langer, W.Germany, $6,733 74-69-75-68—286
C.Montgomerie, Britain, $6,733 72-69-74-71—286
Michael Allen, U.S., $6,289 66-75-73-73—287
John Bland, S.Africa, $6,289 71-72-72-72—287
Hale Irwin, U.S., $6,289 72-68-75-72—287
Edoardo Romero, Arg., $6,289 69-71-74-73—287
Michael Clayton, Aus., $5,837 72-71-72-73—288
B.McCallister, U.S., $5,837 71-68-75-74—288
Danny Mijovic, Canada, $5,837 69-74-71-74—288
David Ray, Britain, $5,837 71-69-73-75—288
Jim Rutledge, Canada, $5,837 71-69-76-72—288
A.Sorensen, Denmark, $5,837 70-68-71-79—288
David Canipe, U.S., $5,339 72-70-69-78—289
Peter Baker, Britain, $5,339 73-68-75-73—289
Roger Chapman, Britain, $5,339 72-70-74-73—289
Jack Nicklaus, U.S., $5,339 71-70-77-71—289
Martin Poxon, Britain, $5,339 68-72-74-75—289
David Feherty, Britain, $5,022 74-69-71-76—290
Jorge Berendt, Arg., $5,022 75-66-72-77—290
A.Saavedra, Arg., $4,887 72-69-75-75—291
M.McKenzie, Britain, $4,887 70-71-76-75—292
J.Maria Canizares, Spain, $4,887 72-70-78-76—296

TRANSACTIONS

BASEBALL American League

BALTIMORE—Activated Brady Anderson, outfielder, from the 21-day disabled list. Designated Brad Komminsk, outfielder, for assignment to Rochester, International League.

KANSAS—Put Bo Jackson, outfielder, on the 15-day disabled list. Activated Bob Boone, catcher, from the 21-day disabled list.

TEXAS—Activated Steve Buechele, infielder, from the 15-day disabled list. Optioned Scott Coolbaugh, third baseman, to Oklahoma City, American Association.

TORONTO—Activated Glenallen Hill, outfielder, from the 15-day disabled list. Released Tom Lawless, infielder.

National League

CINCINNATI—Activated Jose Rijo, pitcher, from the 21-day disabled list. Optioned Chris Hammond, pitcher, to Nashville, American Association.

MONTREAL—Put Nelson Santovenia, catcher, on the 21-day disabled list.

PHILADELPHIA—Put Steve Lake, catcher, on the 15-day disabled list. Recalled Tom Nieto, catcher, from Scranton-Wilkes Barre, International League.

SAN DIEGO—Put Mike Dunne, pitcher, on 21-day disabled list. Bought contract of John Davis, pitcher, from Las Vegas, Pacific Coast League.

SAN FRANCISCO—Put Gary Carter, catcher, on the 15-day disabled list, retroactive to July 9. Optioned Rick Parker, outfielder, to Phoenix, Pacific Coast League. Recalled Kirt Manwaring, catcher, from Phoenix. Bought contract of Mark Leonard, outfielder, from Phoenix.

COLLEGE

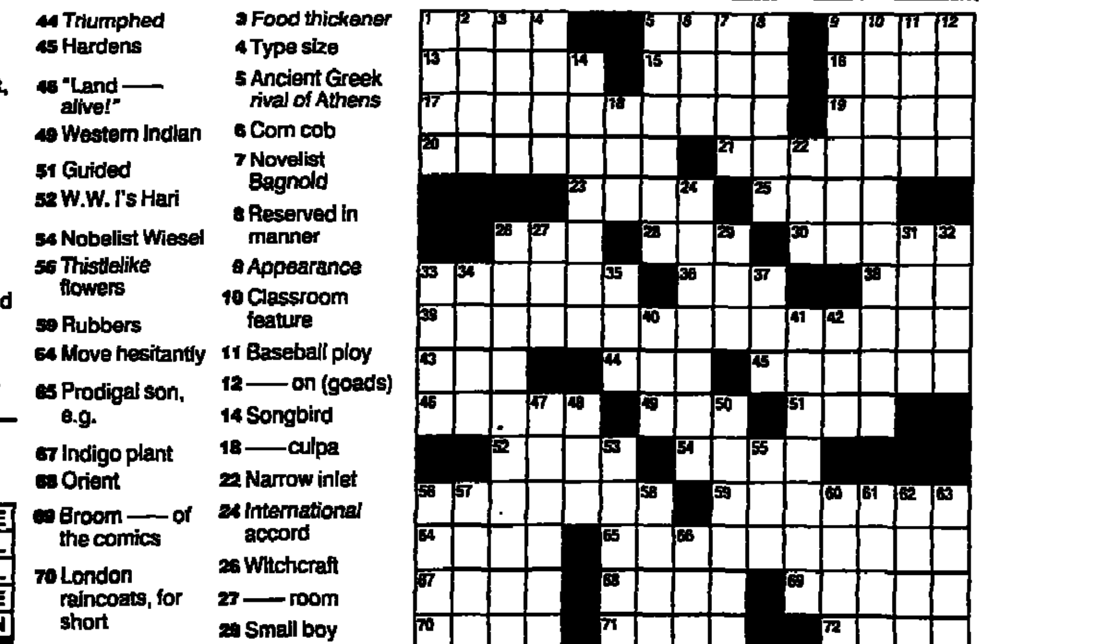
ARIZONA STATE—Eric Ipock, offensive lineman, has withdrawn from school for academic reasons.

ACROSS

1 Fellow
5 —— to (takes care of)
9 Title of respect for a Parisian cleric
13 Protection
15 Breathe rapidly
16 Strike hard
17 Police vehicle
19 Sharp pain
20 Atomizer
21 Shows the way
23 Overdue
25 Clark or Tracy
26 Undergarment, for short
28 Tiny colonizer
30 Facing the pitcher
33 Measuring sticks
36 Faucet
38 ——-track mind
39 Certain wild flowers
43 Business abbr.
44 Triumphed
45 Hardens
46 "Land —— alive!"
49 Western Indian
51 Guided
52 W.W. I's Hari
54 Nobelist Wiesel
56 Thistlelike flowers
59 Rubbers
64 Move hesitantly
65 Prodigal son, e.g.
67 Indigo plant
68 Orient
69 Broom —— of the comics
70 London raincoats, for short
71 Tanguay and Perón
72 Attention-getting sound

DOWN

1 Urban transportation
2 Succor
3 Food thickener
4 Type size
5 Ancient Greek rival of Athens
6 Corn cob
7 Novelist Bagnold
8 Reserved in manner
9 Appearance
10 Classroom feature
11 Baseball ploy
12 —— on (goads)
14 Songbird
18 —— culpa
22 Narrow inlet
24 International accord
26 Witchcraft
27 —— room
29 Small boy
31 Actress Meara
32 Hardy lass
33 Baseball stats
34 Armbone
35 Stitch
37 Greek letter
40 "—— Are Woman," 1964 song
41 Set Fido loose
42 Go to court
47 Atelier gear
48 Sault —— Marie
50 Opts
53 "Tiny Alice" playwright
55 Nettle
56 Red Sox or Celtics
57 Actress Best
58 Eastern European
60 Oiler, for one
61 Grown-up elvers
62 Cerise and vermillion
63 Squabble
66 —— rule (generally)



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Solution to Friday's Puzzle

Z	I	P	S		M	A	T	A			P	A	T	E
A	L	E	E		O	R	A	T	E		U	R	A	L
P	L	E	A		N	E	V	I	L		N	O	L	L
		P	R	A	C	T	I	C	A	L	J	O	K	E
A	S	H		S	T	E			T	O	A	M	A	N
S	C	O	T	T	O		A	C	E	R	B			
C	A	L	L	I	N	G	C	A	R	D		T	A	J
A	L	E	C			A	T	L			E	R	M	A
P	A	S		C	O	M	I	C	R	E	L	I	E	F
			R	O	U	E	N		U	N	I	C	E	F
A	C	C	E	P	T			A	S	T		K	R	A
L	A	U	G	H	I	N	G	S	T	O	C	K		
D	I	R	E		N	E	R	O	L		O	N	T	O
E	R	I	N		G	L	A	R	E		R	E	A	P
R	O	O	T			L	Y	E	S		N	E	X	T

Life of an Adman: What Price Blurbs?

By Alan Furst
International Herald Tribune

A CAT is sitting atop a parrot's cage, but the parrot is, alas, nowhere to be seen. "Well actually," says the cat, "I prefer Friskies." A man has raised the hood of his Volkswagen and is peering in at the engine. "Paranoid," says the caption. This is Michel Rogale at work.

Rogale is, at 43, a veteran of the French ad wars. And in these wars he has won more than his share of battles, on behalf of *a considerable number of companies and*

The president says, 'Keep the client,' while the creative director says, 'Fight hard!'

products. He has trophies, the Silver and Gold Lions awarded for creative achievement in the industry and the Grand Prix from the trade magazine Stratégie.

More than that, he's proved time and time again that he can do the one thing that advertising has to do: *sell*. And somehow, after 18 years in one of the bloodthirstiest businesses *there is*, he's remained an adventurer, is still part kid, still having a good time, still loving what he does.

Michel Rogale was born in Paris. Six months later, his father, a commercial pilot, was killed in an air crash. Michel and a younger brother — his mother was pregnant at the time of his father's death — were raised by his mother and grandmother. First in a tiny apartment, a *mansard*, under the roof in a building behind the Gare d'Orsay, later in Neuilly.

After high school, Rogale went to the university at Nanterre, in those days a tumult of student strikes, confrontations and late '60s fun-and-games of every sort. He wanted to write, as a poet or novelist, and determined to support this effort with a job as a college teacher — 20 hours of work a week and the rest of the time at the typewriter. He got as far as the final step, the dreaded *agrégation*, the extremely difficult exam that enables one to teach at an advanced level in France.

Rogale and a friend, Gilbert Lafaille, were studying for the test and working as *pions* — "pawns," students who for a very low salary help maintain discipline in the high schools — and also teaching correspondence-school courses at night. Finally, Lafaille said, "Michel, we'll never pass, we have to change direction. You have heard about copywriters. Let us become copywriters." That job, in 1970 France, was still a *petit métier* — advertising was permitted on French television only in 1968.

Lafaille dug up the addresses of the Parisian agencies, talked to people, eventually did a little copywriting. Soon enough he went off on another tack and became a popular singer. Rogale stayed with it: rented a house in the country, bought a stack of magazines, rewrote a hundred ads and taught himself to write copy.

His first job, in '72, was at the French agency called Synergie, and his first account was the publisher Flammarion. He wrote copy for two books every week, and was immediately successful: The French at that moment were intent on buying televisions, and Rogale sold Flammarion's new illustrated dictionary with the line "Buy color for the price of black and white." He was again successful with the particularly quiet dishwashers manufactured by the German company Miele. Playing off the law *that forbids tapage nocturne* — raising a rumpus after 10 P.M. — he wrote: "After 10 in the evening, you have no right to *make noise*. But you *do have a right to do* the dishes." A year later, now at Havas, Rogale conceived the tag line for the new *Concorde*: "*Go faster than the sun.*" Going west, one landed before one left.

In '77 Rogale went to Young and Rubicam, which he calls "one of the best schools in France for learning advertising." It also provided an opportunity to work in what Rogale describes as "the Anglo-Saxon [British and American] style," very creative, understated and humorous, as opposed to the harder, more direct approach typical of agencies using a "French style." At Young and Rubicam, Rogale won his first Lion, for Kléber tires, and did so well that he was assigned to advertise the agency itself, aiming at potential clients, traditionally a tough job. The agency had the Jil men's underwear account at that time, and Rogale used the line "With Young and Rubicam, everybody will wear Jil underwear," below a photograph of two Japanese sumo wrestlers who'd abandoned their traditional costumes for underpants.

In 1980, Rogale advanced to creative director, joining the TBWA agency. The letters stand for the Greek, French, Swiss and Italian partners, to Rogale "people I really like, because they fight well." The phrase goes some way toward defining the spirit with which Rogale pursues his job. Any creative director fights not only the competition — that's given — but equally



Carlos Freire

To sell an illustrated dictionary: "Buy color for the price of black and white."

the demands of market analysts, endless testing and overly cautious clients. "All creative people," Rogale says, "have the same problem: constraints. An architect has to design for a particular site, he can only build five stories, there must be parking. But creativity comes from constraints."

Rogale went on to cite the Dadaist Tristan Tzara, who first delivered his manifesto — that nothing meant anything — in a public toilet. "But Tzara," says Rogale, "at the end of his life, was writing verse in the most difficult forms; sonnets, for example." Rogale continues, "I accept constraints, but at the beginning. When the architect completes his work he can't have a client who says, 'Oh, but I want three elevators, not two.' "

Rogale's career continued to rise; creative director at ECOM, then Saatchi & Saatchi, then creative director *and* president at D'Arcy, Masius, Benton and Bowles. This was the two-hat situation, tough on a single-minded man like Rogale. "The president says, 'Keep the client, take it easy,' while the creative director says, 'Fight hard!' " He tried the two hats again at Doyle Dane Bernbach from '88 to '90, and won four Lions and the Grand Prix from Stratégie magazine.

These days Rogale may be found as creative director at J. Walter Thompson in Paris, a particular hunter's gleam in his eye when he says, "J. Walter Thompson is in the top 10 everywhere in the world. Except France." He pauses there, then his face lights up as the territory to be conquered opens before him. "I'm sure," he says, "we'll have a lot of fun and make a lot of money."

In the United States, there's a phantom agency at which everybody in the business has to work sooner or later — "White-lipped and Trembling" by name, a not-so-funny joke about fickle clients and lost accounts. It's a place Michel Rogale seems to have missed. He asks mostly to be unleashed, to attack, and it is the tremulous client who makes his day too long. "To communicate *is* dangerous," he says. "It is a risk. But a worse risk is to be silent; forgotten. When you speak frankly, in a creative way, you're sure to win."

LANGUAGE

Ful-O-Pep English: Have a Mini Big

By Bill Bryson

IN Stockholm, *there is a chain of fast-food restaurants* where you can get, along with a risk of heartburn, what must rank as the ultimate in culinary *oxymorons: a hamburger called a Mini Big.*

If that sounds a trifle too indecisive for you, you may choose from such offerings as a Cheeseburgare, a Baconburgare, a Big Dream or something called a Big Clock (which is what I plumped for and which is presumably so named because it tells you when it's time to stop eating it — after the second bite).

All these names, you will notice, are in English, more or less. It appears that in Sweden these days, as in the world generally, people not only increasingly speak English but also eat it.

And they wear it. Anyone who has traveled almost anywhere in the world in the past couple of years will have noticed that young people everywhere sport T-shirts, sweatshirts and warm-up jackets bearing messages that are invariably (1) in English and (2) gloriously meaningless.

Recently in Hamburg I saw a young man in a bomber jacket that stated on its back: "Ful-O-Pep Laying Mash." In slightly smaller letters it added: "Made by Tavernitti Oats Company Chicago USA 1091DS." In Tokyo, a correspondent for The Economist magazine sighted a T-shirt proclaiming: "O.D. on Bourgeoisie Milk Boy Milk." The words, one supposes, were chosen from an unabridged dictionary by a parrot with a stick in its mouth.

What is perhaps even more alarming is that these bewilderingly vague sentiments have begun appearing *in the English-speaking world. In a store on Oxford* Street in London, I saw a jacket, made in Britain, that announced in large letters: "Rodeo — 100% Boys for *Atomic Atlas.*"

What do these strange messages mean?

Well, in the literal sense, nothing, of course. But in a *more metaphoric way they do* underscore the huge, almost compulsive, appeal of English in the world. It is an odd fact that almost everywhere on the planet products are deemed to be more appealing, and sentiments more powerful, if they are expressed in English — even if they make next to no sense.

I have before me a Japanese eraser that says: "Mr. Friendly Quality Eraser. Mr. Friendly Arrived!! He always stay near you, and steals in your mind to lead you a good situation." It is a product made in Japan solely for Japanese consumers, yet there is not a word of Japanese on it. Coca-Cola cans in Japan come with the slogan "I Feel Coke & Sound Special." Until recently, a Japanese company called Cream Soda marketed a whole range of products with the exquisitely ditzy slogan "Too old to die, too young to happy."

In Naples, there was a sporting goods store called Snoopy's Dribbling (the name becomes fractionally less alarming when you realize that dribbling is the British term for moving a soccer ball up and down a field). And two years ago in Brussels I saw a boutique where a sign in the window intriguingly offered "Sweat, 690 francs." Closer inspection revealed this to be merely a Belgian truncation of the English word "sweatshirt."

This practice of taking English words and hacking away at them until they emerge as something more like native products is surprisingly widespread, particularly among the Japanese, who employ the same sort of ingenuity miniaturizing English words as they do in miniaturizing cameras and VCRs.

In Japan, "word processor" becomes *wa-pro*; "personal computer" becomes *paso-kon*; "mass communications" metamorphoses into *masu-komi*, and "commercial" is unceremoniously shorn of its troublesome consonant clusters and shrunk to a terse *CM*.

Oftentimes this naturalization process leaves the English words all but unrecognizable, at least at first glance. It would take a sharp eye indeed to notice that *ajskrym, erebeta* and *kontaktlinser* are, respectively, the Polish for "ice cream," the Japanese for "elevator" and the Swedish for "contact lenses." The champion of this dissembling process must surely be the Italian *schiacchenze*, which is simply a literal rendering of the English "shake hands," although in Africa the Swahili word for "traffic island," *kipiefti* (literally "keep left"), runs a close second.

Sometimes English words are given not only new spellings but also entirely new meanings. In the last century, the Russians, for reasons that no one now seems quite sure of, took the name of an obscure London railroad station, Vauxhall, and made it their generic word for all railroad stations: *vokzal*. In much the same way, the Japanese word for a fashionably cut suit, *sebiro*, is a corruption of Savile Row, the London street where the finest suits are made. More recently, the French borrowed the English slang words "jerk" and "egghead," but gave them largely contrary meanings — namely, an egghead in France is not a brainy person but a dimwit, while "jerk" is a term of praise for an accomplished dancer.

□

Occasionally, borrowers of English words use them to form the basis for entirely new words. The Japanese have lately appropriated the English word "mansion," re-spelled it *manshon*, and used it to signify not a large single dwelling but a high-rise apartment building. But because the syllable "man" also means "10,000" in Japanese, they have coined a further word, "*okushon*," based on the Japanese word for 100 million ("*oku*"), because that implies even greater luxury.

This practice is more common than you might expect. The Germans, in particular, are adept at taking things a step further than it ever occurred to anyone in English. In Germany, a young person goes from being in his teens to being in his *twens*; a book that doesn't quite become a best seller is instead *ein Steadyseller*, and a person who is more relaxed than another is *relaxter*.

A final curiosity of borrowing is that the words sometimes lose their emotional charge when conveyed overseas. The Dutch, most notably, have adopted an English expletive too coarse to reproduce here (though if I say "hits the fan" I expect you'll be with me again), but use it as a mild and largely meaningless epithet roughly equivalent to our "gosh" or "golly" or even just "hmmmm" — to such an extent, I'm told, that they must now take special care not to shock English-speaking visitors. Oddly enough, a century ago, we did much the same thing with a rude Dutch term, *poppekak*, which we Anglicized into the anodyne *poppycock*.

Bill Bryson is author of "The Mother Tongue: English and How It Got That Way," published by William Morrow this month. William Safire is on vacation.

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